IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR (2) PURCHASING THE NOTES DESCRIBED IN THIS OFFERING MEMORANDUM OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA"), A QUALIFIED INVESTOR, WITHIN THE MEANING OF ARTICLE 2(1)(E) OF DIRECTIVE 2003/71/EC, AS AMENDED, AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EEA).

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice (the "Offering Memorandum"), whether received by e-mail or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access. The Offering Memorandum has been prepared in connection with the proposed offering and sale of the securities described therein. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

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

THE FOLLOWING OFFERING MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THE OFFERING MEMORANDUM IN A FORM THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THE OFFERING MEMORANDUM CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO, AND WILL NOT BE ABLE TO, PURCHASE ANY OF THE NOTES.

Confirmation of your representation. In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities described in the Offering Memorandum, investors must be either (1) QIBs or (2) persons who are outside of the United States in an offshore transaction in reliance on Regulation S; provided that investors resident in a member state of the EEA are qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC, as amended, and any relevant implementing measure in each member state of the EEA). The Offering Memorandum is being sent at your request. By accepting this e-mail or other electronic transmission and by accessing the Offering Memorandum, you shall be deemed to have represented to us and each of the Initial Purchasers (as defined in the Offering Memorandum), being the senders of the Offering Memorandum, that:

(1) you acknowledge that you are receiving such Offering Memorandum by electronic transmission; and

(2) either:

  (a) you and any customers you represent are QIBs; or

  (b) (i) you and any customers you represent are outside the United States and (ii) the e-mail address that you gave us and to which the Offering Memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; and

(3) if you are resident in a member state of the EEA, you are a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC, as amended, and any relevant implementing measure in each member state of the EEA).

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction. Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Offering Memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons (i) who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order")), (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) who are outside the United Kingdom or (iv) to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of the Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

The Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls any of the Initial Purchasers, the Issuer, the Guarantors (each term, as defined in the Offering Memorandum), any of their respective directors, officers, employees or agents or affiliates of any of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic form and any version that will be provided to you at a later date on request from the Initial Purchasers.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of BNP Paribas, HSBC Bank plc, KKR Capital Markets Limited and Unione di Banche Italiane S.p.A. (collectively, the "Manufacturers"), the target market assessment in respect of the debt securities described in the attached Offering Memorandum has led to the conclusion that (i) the target market for such debt securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"), and (ii) all channels for distribution of such debt securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such debt securities (a "distributor") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such debt securities (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to, and should not be 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 2002/92/EC (as amended, the "Insurance Mediation 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 Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the debt securities described in the attached Offering Memorandum or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such debt securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

OFFERING MEMORANDUM
STRICTLY CONFIDENTIAL

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

FEDRIGONI

Fabric (BC) S.p.A.

€125.0 million Senior Secured Floating Rate Notes due 2024

Fabric (BC) S.p.A., a società per azioni incorporated under the laws of Italy (the "Issuer"), is offering (the "Offering") €125.0 million in aggregate principal amount of its Senior Secured Floating Rate Notes due 2024 (the "New Notes"). The proceeds of the New Notes will be used, together with cash on hand, to refinance indebtedness incurred under the Cordenons Bridge Facilities (as defined herein), including accrued interest thereon, for the acquisition (the "Cordenons Acquisition") by Bianco Bidco (as defined herein), a subsidiary of the Issuer, of all of the issued and outstanding share capital of Gruppo Cordenons S.p.A. ("Cordenons"), which occurred on July 11, 2018, for the repayment of the Cordenons Existing Debt no later than 180 days from the Cordenons Acquisition Closing Date (as defined herein) and for the payment of fees and expenses in connection therewith. See "Use of Proceeds." The Issuer is indirectly controlled by Bain Capital, and it acquired Fedrigoni S.p.A. ("Fedrigoni") on April 16, 2018 (the "Fedrigoni Acquisition"). Funds used to consummate the Fedrigoni Acquisition were refinanced in part by the offering by the Issuer of €455.0 million in aggregate principal amount of its senior secured floating rate notes due 2024 (the "Existing Notes") pursuant to an indenture dated as of May 11, 2018, among, inter alios, the Issuer, U.S. Bank Trustees Limited, as trustee (the "Trustee"), and BNP Paribas, Italian Branch, as security agent and in its role as legal representative (mandatario con rappresentanza) and representative (rappresentanza) pursuant to and for the purposes set forth under Article 2414-bis, paragraph 3, of the Italian Civil Code (the "Security Agent") (the "Existing Notes Indenture").

The New Notes will be issued under the Existing Notes Indenture and will form a single series with the Existing Notes for all purposes under the Existing Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, and are expected to be fungible for U.S. federal income tax purposes with the Existing Notes. The New Notes will have the same ISINs and common codes as the Existing Notes. The New Notes and the Existing Notes are collectively referred to herein as the "Notes."

Interest will accrue on the New Notes quarterly in arrears on each August 31, November 30, February 28 and May 31, commencing on August 31, 2018. The New Notes will mature on November 30, 2024. An amount equivalent to interest that would have accrued on the New Notes if they had been issued on May 11, 2018 to the New Notes Issue Date will be added to the Issue Price for the New Notes. The Issuer will be entitled, at its option, to redeem all or a portion of the New Notes at the redemption prices set forth in this Offering Memorandum. In addition, in connection with certain tender offers for the New Notes, if holders of not less than 90% in aggregate principal amount of the outstanding New Notes validly tender and do not withdraw such New 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 New Notes validly tendered and not withdrawn by such holders of New Notes, the Issuer or such third party will have the right to redeem the New Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of New Notes. See "Description of the Notes—Optional Redemption." Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase all the outstanding New Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any. See "Description of the Notes—Change of Control."

The New Notes will be senior secured obligations of the Issuer, will rank senior in right of payment to all of the Issuer's future debt that is expressly subordinated in right of payment to the New Notes and will rank pari passu in right of payment with the Issuer's existing and future debt that is not so subordinated, including the Issuer's obligations under the Existing Notes and the Revolving Credit Facility (as defined herein). Subject to certain agreed security principles, Arconvert S.A. and Bianco (BC) S.p.A. (the "Guarantors") will guarantee the New Notes on a senior secured, joint and several basis on the earlier of (i) the date on which the relevant Guarantor provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date (as defined herein). If the Fedrigoni Post-Completion Merger has not occurred by November 16, 2019, Fedrigoni is expected, subject to certain agreed security principles, to guarantee the New Notes on a senior secured and joint and several basis on the earlier of (i) the date on which Fedrigoni provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Cut-Off Date. Prior to the Fedrigoni Post-Completion Merger (as defined herein), the New Notes will be structurally subordinated to any existing or future indebtedness of Fedrigoni and its subsidiaries, and after the Fedrigoni Post-Completion Merger, the New Notes will be structurally subordinated to obligations of subsidiaries of Fedrigoni MergerCo (as defined herein) that are not guarantors of the New Notes, including obligations owed to trade creditors and depositors of such subsidiaries.

We intend to merge the Issuer and Fedrigoni, with Fedrigoni MergerCo being the surviving entity (the "Fedrigoni Post-Completion Merger"). We expect to complete the Fedrigoni Post-Completion Merger by November 16, 2019. We also intend to merge Bianco Bidco and Cordenons, with Cordenons MergerCo being the surviving entity (the "Cordenons Post-Completion Merger" and, together with the Fedrigoni Post-Completion Merger, the "Post-Completion Mergers"). We expect to complete the Cordenons Post-Completion Merger within nine months following the Cordenons Acquisition Closing Date. The Post-Completion Mergers are subject to certain conditions and may not be completed.

On the New Notes Issue Date, the New Notes will, subject to certain agreed security principles and certain perfection requirements, be secured by the Issue Date Collateral (as defined herein). Subject to certain agreed security principles and certain perfection requirements, the collateral securing the New Notes, (i) no later than ten Business Days from (and excluding) the New Notes Issue Date, will consist of the Cordenons Issue Date Collateral A (as defined herein) and (ii) no later than 20 Business Days from the New Notes Issue Date, will consist of the Cordenons Issue Date Collateral B (as defined herein). Subject to certain agreed security principles and certain perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from (and excluding) the day on which the Fedrigoni Post-Completion Merger becomes effective, will consist of the applicable Fedrigoni Post-Merger Collateral (as defined herein); or, no later than 20 Business Days following the Cut-off Date but before the Fedrigoni Post-Completion Merger becomes effective, the collateral securing the New Notes and the Guarantees (upon the granting thereof by the respective guarantors of the New Notes) will, subject to certain agreed security principles and certain perfection requirements, consist of the applicable Fedrigoni Post-Merger Collateral. Subject to certain agreed security principles and perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from the day on which the Cordenons Post-Completion Merger becomes effective, will consist of the Cordenons Post-Completion Merger Collateral (as defined herein). Each of the Issue Date Collateral, the Cordenons Issue Date Collateral A, the Cordenons Issue Date Collateral B, the Fedrigoni Post-Merger Collateral and the Cordenons Post-Completion Merger Collateral is further described under "Description of the Notes—Security." The Collateral (as defined herein) also secures (or will secure) the Revolving Credit Facility and certain hedging obligations on a senior basis. In addition, the Revolving Credit Facility will be secured by a special lien (privilegio speciale) over Fedrigoni MergerCo's or Fedrigoni's (as the case may be) moveable assets to be granted by Fedrigoni MergerCo or Fedrigoni (as the case may be) in accordance with article 46 of the Italian Banking Act (as defined herein) following the Fedrigoni Post-Completion Merger. Under the terms of the Intercreditor Agreement (as defined herein), in the event of an enforcement of the Collateral, the holders of the New Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations have been repaid in full. In addition, the Guarantees and the security interests in the Collateral may be released under certain circumstances. Subject to the terms of the Existing Notes Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. This Offering Memorandum includes more detailed information on the terms of the New Notes and the Guarantees, including redemption and repurchase prices, security, covenants, events of default and transfer restrictions.

Application has been made to list the New Notes on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin ("Euronext Dublin") and to admit them for trading on the Global Exchange Market of Euronext Dublin (the "Exchange"). This Offering Memorandum comprises a listing particulars for the purposes of this listing application and has been approved by Euronext Dublin.

Investing in the New Notes involves a high degree of risk. See the "Risk Factors" section of this Offering Memorandum, beginning on page 29.

Issue Price for the New Notes: 97,000 % plus an amount equivalent to interest that would have accrued on the New Notes if they had been issued on May 11, 2018 to the New Notes Issue Date.

None of the New Notes or the Guarantees have been or will be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, nor may they be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In the United States, this Offering is being made only to "qualified institutional buyers" (as defined in Rule 144A of the Securities Act) in compliance with Rule 144A under the Securities Act ("Rule 144A"). You are hereby notified that the Initial Purchasers of the New Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside of the United States, this Offering is being made in connection with offshore transactions in reliance on Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, see "Plan of Distribution" and "Notice to Investors."

The New Notes will be in registered form and will initially be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof and will only be transferable in minimum principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. On the New Notes Issue Date, the New Notes will be represented by one or more Global Notes (as defined herein) delivered through a common depositary of Euroclear SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"). See "Book-Entry; Delivery and Form."

Joint Bookrunners

BNP PARIBAS **HSBC** **KKR** **UBI Banca**

The date of this Offering Memorandum is July 23, 2018

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

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

THE NEW NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES UNLESS THE NEW NOTES ARE REGISTERED UNDER THE SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. SEE "PLAN OF DISTRIBUTION" AND "NOTICE TO INVESTORS." INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT.

This Offering is being made on the basis of this Offering Memorandum only. Any decision to purchase New Notes in the Offering must be based on the information contained in this Offering Memorandum. None of the Issuer, the Guarantors or BNP Paribas, HSBC Bank plc, KKR Capital Markets Limited or Unione di Banche Italiane S.p.A. (each an "Initial Purchaser" and together, the "Initial Purchasers") have authorized anyone to provide you with any information or represent anything about the Issuer, the Guarantors or any of their respective affiliates, their financial results or this Offering that is not contained in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Guarantors or any of the Initial Purchasers. 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 has been prepared by the Issuer and the Guarantors solely for use in connection with the Offering. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the New Notes. This Offering Memorandum may not be distributed to any person other than prospective investors and any person retained to advise such prospective investors with respect to the purchase of the New Notes, and any disclosure of the contents of this Offering Memorandum without the prior written consent of the Issuer is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and you agree to make no copies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledgeand belief of the Issuer having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything that is likely to affect the import of such information. The information contained in this Offering Memorandum is correct as of the date hereof. Neither the delivery of this Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantors since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time subsequent to that date. The Issuer accordingly accepts responsibility for the information contained in this Offering Memorandum.

The information contained in this Offering Memorandum has been furnished by the Issuer and other sources we believe to be reliable.

None of the Initial Purchasers nor any employee or affiliate of the Initial Purchasers has authorized the contents or circulation of this Offering Memorandum, and none of the Initial Purchasers nor any employee of the Initial Purchaser assumes any responsibility for, and no such person will accept any liability for, any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it.

In accordance with normal and accepted market practice, neither the Trustee, the Security Agent (as defined below), the Paying Agent (as defined below), the Registrar (as defined below), nor the Transfer Agent (as defined below) is responsible for the contents of this Offering Memorandum or expresses any opinion as to the merits of the Notes under this Offering Memorandum.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, Fedrigoni, the Guarantor, any of their respective affiliates, or the Initial Purchasers. This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful.

This Offering Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of some of which will be made available upon request, for the complete information contained in those documents. By receiving this Offering Memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the New Notes. The contents of this Offering Memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, Cordenons, the Fedrigoni Group and any of their respective affiliates, the terms of the Offering and the merits and risks involved.

In addition, for so long as the New Notes are listed on the Official List of Euronext Dublin and the rules and regulations of the Exchange so require, the Issuer will also provide a copy of the foregoing information and reports to the Exchange. Furthermore, for so long as any of the New Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any year in which the Issuer is neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), nor exempt from such reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, as amended, make available to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such request should be directed to the Issuer.

This Offering is being made in reliance upon exemptions from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The New Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

The Initial Purchasers reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the New Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of New Notes sought by investors. The Initial Purchasers and certain related entities may acquire a portion of the New Notes for their own accounts. Persons into whose possession this Offering Memorandum or any of the New Notes come must inform themselves about, and observe any restrictions on, the transfer and exchange of the Notes. See "Plan of Distribution" and "Notice to Investors."

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of the New Notes. Persons into whose possession this Offering Memorandum or any of the New Notes come must inform themselves about, and observe any such restrictions. None of the Issuer, the Guarantor, the Initial Purchasers, the Trustee, the Paying Agent, the Security Agent or their respective representatives are making any representation to any offeree or any purchaser of the New Notes regarding the legality of any investment in the New Notes by such offeree or purchaser under applicable laws or regulations. For a further description of certain restrictions on the Offering and sale of the New Notes and the distribution of the Offering Memorandum, see "Notice to Investors."

To purchase the New Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the New Notes or possess or distribute this Offering Memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the New Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, the Guarantor, the Initial Purchasers, the Trustee, the Paying Agent, the Security Agent or their respective affiliates will have any responsibility therefor.

Neither the Issuer nor any of the Initial Purchasers are making an Offering in any jurisdiction where the Offering is not permitted. No action has been taken by the Initial Purchasers, the Issuer, the Guarantor, or any other person that would permit an Offering or the circulation or distribution of this Offering Memorandum or any offering material in relation to the Issuer, the Guarantor, or any of the New Notes in any country or jurisdiction where action for that purpose is required.

The New Notes will only be issued in fully registered form and in denominations of €100,000 and integral multiples of €1,000 in excess thereof. New Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A") will be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes"). New Notes sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") will be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the 144A Global Notes, the "Global Notes"). The Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream") and registered in the name of the nominee of the common depositary. See "Book-Entry; Delivery and Form."

The information contained under the headings "Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry" and "Business" includes extracts from information and data, including industry and market data, prepared by third parties. While the Issuer accepts responsibility for the accurate extraction and summarization of such information and data, the Issuer has not independently verified the accuracy of such information and data and accepts no further responsibility in respect thereof. However, as far as the Issuer and the Guarantors are aware, no information or data has been omitted which would render reproduced information inaccurate or misleading.

The information set forth in those sections of this Offering Memorandum describing clearing and settlement is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures. Each of the Issuer, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such book-entry interests.

Application has been made to list the New Notes on the Official List of Euronext Dublin and to admit them for trading on the Exchange.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, BNP PARIBAS (THE "STABILIZATION MANAGER") (OR PERSONS ACTING ON ITS BEHALF), MAY OVER-ALLOT NEW NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NEW NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT NOT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE NEW NOTES ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) TO DO THIS. 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 NEW NOTES ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NEW NOTES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION."

NOTICE TO U.S. INVESTORS

None of the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority has approved or disapproved the New Notes or the Guarantees, and none of the foregoing authorities have passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary could be a criminal offence in certain jurisdictions.

Each purchaser of the New Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under "Notice to Investors." The New Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States, and the New Notes are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the New Notes, see "Notice to Investors."

CERTAIN CONSIDERATIONS REGARDING SALES INTO CANADA

The New 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 New Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

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

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

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Union

The New 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 2002/92/EC (as amended, the "Insurance Mediation 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 Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

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

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of BNP Paribas, HSBC Bank plc, KKR Capital Markets Limited and Unione di Banche Italiane S.p.A. (collectively, the "Manufacturers"), the target market assessment in respect of the New Notes described in this Offering Memorandum has led to the conclusion that (i) the target market for such New Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II") and (ii) all channels for distribution of such New Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such New Notes (a "distributor") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such New Notes (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The New 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 2002/92/EC (as amended, the "Insurance Mediation 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 Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Italy

No action has been or will be taken which could allow an Offering to the public in Italy within the meaning of Article 1, paragraph 1, letter t) of Legislative Decree No. 58 of February 24, 1998, as subsequently integrated and amended (the "Italian Financial Act") and, in particular, the Offering has not been cleared by the Commissione Nazionale per la Società e la Borsa ("CONSOB") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review by CONSOB. Accordingly, the New Notes may not be offered, sold or delivered directly or indirectly in Italy, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the New Notes may be issued, distributed or published in Italy, except: (a) to qualified investors (investitori qualificati) as referred to in Article 100 of the Italian Financial Act, and as defined in Article 35, first paragraph, letter (d) by CONSOB Regulation No. 20307 of February 15, 2018, as amended ("Regulation 20307"), pursuant to Article 34-ter, first paragraph letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "Issuer Regulation"), implementing Article 100 of the Italian Financial Act; and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuer Regulation.

The New Notes may not be offered, sold or delivered and neither this Offering Memorandum, and no other material relating to the New Notes, may be distributed or made available in Italy unless such offer, sale or delivery of New Notes or distribution or availability of copies of this Offering Memorandum or any other material relating to the New Notes in Italy is made in compliance with the selling restrictions above and must be made as follows: (a) by soggetti abilitati (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Financial Act, permitted to conduct such activities in Italy in accordance with Legislative Decree No 385 of September 1, 1993 (the "Italian Banking Act") as subsequently integrated and amended, the Italian Financial Act, the Italian Banking Act, the Issuer Regulation, Regulation 20307 and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or other competent Italian authority. For a further description of certain restrictions on offers and sales of the New Notes and the distribution of this Offering Memorandum in Italy, see "Notice to Investors."

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

Spain

The offering of the New Notes has not been registered with the Comisión Nacional del Mercado de Valores and therefore the New Notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 35 of the Securities Market Act 4/2015, of October 23 (Real Decreto Legislativo 4/2015, de 23 de Octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores), as amended, and restated from time to time or without complying with all legal and regulatory requirements under the Spanish Securities Market Law. None of the New Notes, the Offering or this Offering Memorandum and its contents have been approved or registered with the Spanish Securities and Exchange Commission (Comisión Nacional del Mercado de Valores), and therefore it is not intended to carry out the public offering or sale of New Notes in Spain.

United Kingdom

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

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements, including statements about our strategy, investment program, future operations, industry forecasts, expected acquisitions, transactions and investments (including the Acquisitions), and target levels of leverage and indebtedness. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "seek," "target" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those expected in our forward-looking statements for many reasons, including the factors described in "Risk Factors." In addition, even if our actual results are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to:

- changes in the costs or availability of raw materials and energy used in our production process;
- our highly competitive industry;
- failure to anticipate and develop new products, enhance existing products and keep pace with rapid technological changes;
- change in consumer preferences and the increasing digitalization of data transmission and storage;
- growth of the polymer banknotes use;
- global economic conditions and political events;
- the result of the United Kingdom's withdrawal from the European Union;
- problems in manufacturing products;
- incidents at our production sites;
- failure to protect our industrial and intellectual property rights and related risks;
- the risk of litigation and other claims, including with respect to the infringement;
- failure to comply with current and future laws and regulations, such as environmental laws;
- failure to recruit and retain key personnel;
- labor disruptions and failure to efficiently reorganize our workforce in the event of a market downturn;
- requirements to make additional future contributions to our pension plan;
- liabilities for the actions of our directors, employees, agents, representatives and intermediaries;
- ability to win tenders for future contracts in our Security Business Line;
- product defects, failure to meet the client's specifications and revenue volatility in the Security Business Line;
- failure to obtain and maintain the required certifications and accreditations and to comply with the security and confidentiality requirements relating to the production of banknote paper in our Security Business Line;

- potential significant integration costs with respect to any of our bolt-on acquisitions;
- unforeseen difficulties, delays or costs in successfully implementing our cost cutting initiatives;
- fluctuations in exchange rates;
- restrictive covenants and/or change of control clauses in our financing agreements;
- risks related to conducting operations in many different countries;
- any violation of anti-corruption legislation;
- risks associated with economic and trade sanctions imposed by the European Union, the United States and other jurisdictions;
- changes in tax laws or challenges to our tax position;
- failure to obtain certifications by industry standard-setting bodies;
- failure to locate and develop relationships with a sufficient number of new pulp suppliers or maintain relationships with our existing pulp suppliers;
- failure to renew agreements with our material suppliers and customers on acceptable terms;
- absence of formal contractual arrangements with most of our distributors;
- fluctuations in wine production affecting our sales in the Converting Segment;
- failure to match production of our specialty products in the Paper Business Line with customer demand;
- failure to comply with administrative controls;
- insurance limitations;
- breakdown in our information technology systems;
- failure to maintain the confidentiality of personal data;
- significant ongoing capital expenditures;
- effects of climate change; and
- other factors discussed under "Risk Factors."

These risks and others described under "Risk Factors" are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our financial position, results of operations and liquidity. New risks can 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 risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as at the date of this Offering Memorandum, and we do not intend, and do not assume any obligation, to update forward-looking statements set out in this Offering Memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this Offering Memorandum. As a result, you should not place undue reliance on these forward-looking statements.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, statements in this Offering Memorandum regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which we operate are based on market data, statistical information, sector reports and third-party studies as well as on our own estimates.

We operate in an industry in which it is difficult to obtain precise industry and market information. In drafting this Offering Memorandum, we used industry sources, market research, publicly available information, industry publications and sources of market data, including reports prepared by leading paper industry consulting firms, including Smithers Limited ("Smithers Pira") and EMGE & Co. ("EMGE"). In particular, information obtained from these sources includes descriptions of the paper, security and converting markets in certain geographies and details of the our market share and competitive position, based on volumes. To the extent that information was taken from third parties, such information has been accurately reproduced by us in this Offering Memorandum and, as far as we are aware and able to ascertain from the information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Market studies and analyses are, however, frequently based on information and assumptions that may not be accurate or technically correct, and their methodology may be forward-looking and speculative. We have not verified the figures, market data and other information used by third parties in the studies, publications and financial information reproduced herein, or the external sources on which our estimates are based. We therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third party sources contained in this Offering Memorandum or for the accuracy of third party data on which our estimates are based.

This Offering Memorandum also contains estimates of market data and information derived from such data that cannot be obtained from publications by independent sources. Such information is partly based on our own market observations, the evaluation of industry information (such as from conferences and sector events) or internal assessments. We believe that our estimates of market data and the information we have derived from such data helps investors to better understand the industry in which we operate and our position within it. Our own estimates have not been checked or verified externally. While we assume that our own market observations are reliable, we give no warranty for the accuracy of our own estimates and the information derived from them. They may differ from estimates made by our competitors or from other independent sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed under "Risk Factors" in this Offering Memorandum. As a result, neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of any such information in this Offering Memorandum.

TAX CONSIDERATIONS

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

TRADEMARKS AND TRADE NAMES

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

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

CERTAIN DEFINITIONS

The following terms used in this Offering Memorandum have the meanings assigned to them below:

"Acquisition Agreements"	The Cordenons Acquisition Agreement and the Fedrigoni Acquisition Agreement, collectively.
"Acquisitions"	The Cordenons Acquisition and the Fedrigoni Acquisition, collectively.
"Bain Capital"	Bain Capital Investors LP, and its affiliates, including Bain Capital Fund IV and, where applicable, the other funds and limited partnerships managed or advised by them, and any co-investors.
"Bianco Bidco"	Bianco (BC) S.p.A., established as a *società per azioni* under the laws of Italy.
"Bianco Funding Loan"	The intercompany loan made with part of the proceeds of the Cordenons Bridge Facilities by the Issuer, as lender, to Bianco Bidco, as borrower, drawn on or about the Cordenons Acquisition Closing Date to allow Bianco Bidco to purchase all of the issued and outstanding share capital of Cordenons and grant a funding loan to Cordenons to allow Cordenons to refinance its existing indebtedness and pay related fees and expenses. See "*Use of Proceeds*" and "*Description of Other Indebtedness—Bianco Funding Loan*."
"Business Day"	Each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, New York, United States of America, or London, United Kingdom are authorized or required by law to close.
"Collateral"	Collectively, the Issue Date Collateral, the Cordenons Issue Date Collateral, the Fedrigoni Post-Merger Collateral and the Cordenons Post-Merger Collateral and any and all assets from time to time in which a security interest has been or will be granted pursuant to and Security Document (as defined herein) to secure the obligation under the Existing Notes Indenture or the New Notes and/or any Guarantee, in each case as may be in existence from time to time, as the context may require.
"Cordenons"	Gruppo Cordenons S.p.A., established as a *società per azioni* under the laws of Italy.
"Cordenons Acquisition"	The acquisition by Bianco Bidco of all of the issued and outstanding share capital of Cordenons, as described under "*Summary—The Transactions*."
"Cordenons Acquisition Agreement"	The sale and purchase agreement dated as of May 27, 2018, described under "*Summary—The Transactions—The Cordenons Acquisition.*"
"Cordenons Acquisition Closing Date"	July 11, 2018, the date on which the Cordenons Acquisition was consummated.

"Cordenons Bridge Facilities"	The €125.0 million bridge facilities made available to the Issuer under the Cordenons Bridge Facilities Agreement.
"Cordenons Bridge Facilities Agreement" .	The senior bridge facilities agreement dated as of July 5, 2018, among, *inter alios*, the Issuer, as borrower, and BNP Paribas, Italian Branch, as agent and security agent.
"Cordenons Existing Debt"	The existing indebtedness of Cordenons as of the Cordenons Acquisition Closing Date.
"Cordenons Funding Loan".........................	The intercompany loan made with part of the proceeds of the Cordenons Bridge Facilities by Bianco Bidco, as lender, to Cordenons, as borrower, which will be drawn no later than 180 days from the Cordenons Acquisition Closing Date to allow Cordenons to refinance its existing indebtedness and pay related fees and expenses. See "*Use of Proceeds*" and "*Description of Other Indebtedness—Cordenons Funding Loan*."
"Cordenons Issue Date Collateral"	The Cordenons Issue Date Collateral A and the Cordenons Issue Date Collateral B, together.
"Cordenons Issue Date Collateral A"	A pledge over the shares of Cordenons owned by Bianco Bidco within ten days from (and excluding) the New Notes Issue Date.
"Cordenons Issue Date Collateral B".........	A pledge over the material bank accounts of Bianco Bidco and a security assignment over Bianco Bidco's claim vis-à-vis Cordenons arising from any intercompany loans advanced by Bianco Bidco to Cordenons within 20 days from (and excluding) the New Notes Issue Date.
"Cordenons MergerCo"...............................	The surviving entity of the Cordenons Post-Completion Merger.
"Cordenons Merger Date"...........................	The date on which the Cordenons Post-Completion Merger becomes effective.
"Cordenons Post-Completion Merger".......	The intended merger of Bianco Bidco with Cordenons, as described under "*Summary—The Transactions,*" in accordance with Articles 2501-*bis* and following of the Italian Civil Code which will be resolved upon by and exclusively involve Bianco Bidco and Cordenons.
"Cordenons Post-Completion Merger Collateral"	The collateral securing the New Notes no later than 20 Business Days from the day on which the Cordenons Post-Completion Merger becomes effective subject to certain agreed security principles and certain perfection requirements, consisting of (i) a pledge over the shares of Cordenons MergerCo owned by the Issuer or Fedrigoni MergerCo (as the case may be), (ii) a pledge granted (or reconfirmed) by Cordenons MergerCo over its material bank accounts and a security assignment granted (or reconfirmed) by Cordenons MergerCo over its intercompany receivables, if any, and (iii) a pledge over the shares in certain of Cordenons MergerCo's material subsidiaries, if any, each as further described under "*Description of the Notes—Security*."

"Cordenons Refinancing"	The transactions described under "*Summary—The Transactions—The Cordenons Refinancing.*"
"Cordenons Sellers"......................................	Mr. Ferruccio Gilberti and Mare Holding S.p.A., established as a *società per azioni* under the laws of Italy.
"Cut-Off Date"..	November 16, 2019, the date falling 19 months after the Fedrigoni Acquisition Closing Date.
"de minimis OID"	*de minimis* original issue discount for United States tax purposes.
"Existing Notes"..	The Issuer's €455.0 million in aggregate principal amount of senior secured floating rate notes due 2024 issued under the Existing Notes Indenture on May 11, 2018.
"Existing Notes Indenture" or "Indenture"	The indenture governing the Notes, dated May 11, 2018, by and among, *inter alios*, the Issuer and the Trustee.
"Existing Notes Issue Date"	May 11, 2018.
"EU"	European Union.
"EURIBOR"	EURIBOR has the meaning ascribed to it under "*Description of the Notes*."
"euro," "EUR" or "€"	The lawful currency of the EU Member States participating in the European Monetary Union.
"Existing Notes Offering"	The offering of the Existing Notes.
"Fedrigoni"	Fedrigoni S.p.A., established as a *società per azioni* under the laws of Italy.
"Fedrigoni Acquisition"	The acquisition by HoldCo of 99.99945% of the shares of capital stock of Fedrigoni, as described under "*Summary—The Transactions—The Fedrigoni Acquisition and the Financing of the Fedrigoni Acquisition.*"
"Fedrigoni Acquisition Agreement"	The sale and purchase agreement dated as of December 22, 2017, described under "*Summary—The Transactions*."
"Fedrigoni Acquisition Closing Date"	April 16, 2018, the date on which the Fedrigoni Acquisition was consummated.
"Fedrigoni Bridge Facilities"	The €455.0 million bridge facilities made available to the Issuer under the Fedrigoni Bridge Facilities Agreement.
"Fedrigoni Bridge Facilities Agreement" ...	The senior bridge facilities agreement dated as of April 11, 2018, among, *inter alios*, the Issuer, as borrower, and BNP Paribas, Italian Branch, as agent and security agent.
"Fedrigoni Existing Debt"	The existing indebtedness of the Fedrigoni Group as of the Fedrigoni Acquisition Closing Date or as of March 31, 2018, as the context requires.
"Fedrigoni Funding Loan"	The intercompany loan made with part of the proceeds of the Fedrigoni Bridge Facilities by the Issuer, as lender, to Fedrigoni, as borrower, drawn on April 16, 2018 to allow

such company to repay a portion of the Fedrigoni Existing Debt. See "*Use of Proceeds*" and "*Description of Other Indebtedness—Fedrigoni Funding Loan*."

"Fedrigoni Group" .... Fedrigoni and its subsidiaries.

"Fedrigoni Merger Date" .... The earlier of (i) the date on which the Fedrigoni Post-Completion Merger becomes effective and (ii) the Cut-Off Date.

"Fedrigoni MergerCo" .... The surviving entity of the Fedrigoni Post-Completion Merger.

"Fedrigoni Post-Completion Merger" .... The intended merger of the Issuer with Fedrigoni, as described under "*Summary—The Transactions*," in accordance with Articles 2501-*bis* and following of the Italian Civil Code which will be resolved upon by and exclusively involve the Issuer and Fedrigoni.

"Fedrigoni Post-Merger Collateral" .... The collateral securing the New Notes no later than 20 Business Days from the day on which the Fedrigoni Post-Completion Merger becomes effective, subject to certain agreed security principles and certain perfection requirements, consisting of (i) a pledge over the shares of Fedrigoni MergerCo owned by HoldCo granted (or reconfirmed) by HoldCo, (ii) a security assignment granted (or reconfirmed) by HoldCo over the intercompany payables owed by Fedrigoni MergerCo to HoldCo, if any, (iii) a pledge granted (or reconfirmed) by Fedrigoni MergerCo over its material bank accounts and a security assignment granted (or reconfirmed) by Fedrigoni MergerCo over its intercompany receivables, (iv) a pledge over the shares in certain of Fedrigoni MergerCo's material subsidiaries and (v) a pledge granted (or reconfirmed) by Fedrigoni MergerCo over the shares of Bianco Bidco or Cordenons MergerCo, as the case may be, and a security assignment granted (or reconfirmed) by Fedrigoni MergerCo over its intercompany receivables to Bianco Bidco or Cordenons MergerCo, as the case may be; or, no later than 20 Business Days following the Cut-off Date but before the Fedrigoni Post-Completion Merger becomes effective, the collateral securing the New Notes and the Guarantees (upon the granting thereof by the respective guarantors of the New Notes), subject to certain agreed security principles and certain perfection requirements, consisting of (i) a pledge over the shares of the Issuer owned by HoldCo already granted by HoldCo, (ii) a security assignment already granted by HoldCo over the intercompany payables owed by the Issuer to HoldCo, if any, (iii) a pledge already granted by the Issuer over its material bank accounts and a security assignment already granted by the Issuer over its intercompany loan receivables, (iv) a pledge over the shares of Fedrigoni owned by the Issuer already granted by the Issuer, (v) a security assignment granted by Fedrigoni over its intercompany receivables, if any, (vi) a pledge over the shares in certain of Fedrigoni's material subsidiaries and (vii) a pledge over the shares of Bianco Bidco or Cordenons MergerCo, as the case may be, owned by the Issuer and security assignment over the Issuer's claim vis-à-vis Bianco Bidco or Cordenons MergerCo, as the case may be, arising from any intercompany loans advanced by the Issuer to Bianco Bidco or Cordenons MergerCo, as the case may be, each as further described under "*Description of the Notes—Security*."

"Fedrigoni Seller" .... San Colombano S.p.A., established as a *società per azioni* under the laws of Italy.

"Funding Loans" .... The Fedrigoni Funding Loan, the Bianco Funding Loan and the Cordenons Funding Loan, collectively.

"Group" .... Collectively, the Issuer, the Fedrigoni Group and, following the Cordenons Acquisition Closing Date, Cordenons and its subsidiaries.

"Guarantees" .... The guarantee to be issued by the Guarantors together with any additional guarantee provided by a guarantor of the New Notes.

"Guarantors" .... Arconvert S.A., established as a *sociedad anònima* under the laws of Spain, and Bianco Bidco.

"HoldCo" .... Fedrigoni Holding Limited (formerly, Fabric (BC) Holdco Limited), established as a limited liability company under the laws of England and Wales and as the parent company of the Issuer.

"HoldCo Contribution" .... The indirect cash investment made by Bain Capital by way of an equity contribution, which was contributed for equity through wholly- owned or majority-owned intermediate holding companies to the Issuer to finance in part the Fedrigoni Acquisition.

"IFRS" .... International Financial Reporting Standards, as adopted by the EU.

"Initial Purchasers" .... Collectively, BNP Paribas, HSBC Bank plc, KKR Capital Markets Limited and Unione di Banche Italiane S.p.A.

"Intercreditor Agreement" .... The intercreditor agreement dated as of April 11, 2018, between, among others, the Issuer, U.S. Bank Trustees Limited, as trustee for the holders of the Notes, BNP Paribas, Italian Branch, as the facility agent with respect to the Revolving Credit Facility, certain creditors thereunder and the Security Agent, as amended, supplemented and restated from time to time.

"Issue Date Collateral" .... The collateral securing the New Notes as of the New Notes Issue Date on a first-priority basis consisting of security interests in (i) a pledge over the entire share capital of the Issuer, (ii) a pledge over the shares of Fedrigoni owned by the Issuer, (iii) a pledge over the material bank accounts of the Issuer, (iv) a security assignment over the intercompany payables owed by the Issuer to HoldCo, if any, (v) a security assignment over the Issuer's claim vis-à-vis Fedrigoni and its applicable subsidiaries arising from any intercompany loans advanced by the Issuer to the Fedrigoni Group for the refinancing of certain of the Fedrigoni Group's existing Indebtedness, (vi) a pledge over the shares of Bianco Bidco owned by the Issuer and (vii) a security assignment over the

	Issuer's claim vis-à-vis Bianco Bidco arising from any intercompany loans advanced by the Issuer to Bianco Bidco, each as further described under "*Description of the Notes—Security*."
"Issuer"	Fabric (BC) S.p.A., established as a *società per azioni* under the laws of Italy.
"Italian Civil Code"	The Italian civil code (*codice civile*) approved by the Royal Decree No. 262 of March 16, 1942, as subsequently amended and restated.
"MidCo"	Fabric (BC) Midco Limited, established as a private limited company under the laws of England and Wales and as the parent company of HoldCo.
"New Notes"	The Issuer's €125.0 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2024 issued on the New Notes Issue Date. See "*The Offering*."
"New Notes Issue Date"	On or about July 25, 2018, the date on which the New Notes will be delivered in book-entry form through a common depository for Euroclear and Clearstream.
"Notes"	The New Notes and the Existing Notes, collectively.
"Offering"	This offering of the New Notes pursuant to this Offering Memorandum.
"Offering Memorandum"	This Offering Memorandum in relation to the New Notes.
"Post-Merger Collateral"	The Cordenons Post-Merger Collateral and the Fedrigoni Post-Merger Collateral.
"Revolving Credit Facility"	The €100.0 million revolving credit facility established under the Revolving Credit Facility Agreement, which is described in more detail in "*Description of Other Indebtedness—Revolving Credit Facility Agreement*."
"Revolving Credit Facility Agreement"	The super senior revolving credit facility agreement in respect of the Revolving Credit Facility dated as of April 11, 2018, between, among others, the Issuer, HoldCo, the Agent (as defined therein), the Security Agent and the Original Lenders (as defined therein), as amended, supplemented and restated from time to time, which is described in more detail in "*Description of Other Indebtedness—Revolving Credit Facility Agreement*."
"Securities Act"	The U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
"Security Agent"	BNP Paribas, Italian Branch, in its capacity as (i) security agent for the secured creditors, including from the Existing Notes Issue Date, the holders of the Existing Notes and, from the New Notes Issue Date, the holders of the New Notes, the Trustee and the lenders under the Revolving Credit Facility, and (ii) legal representative (*mandatario con rappresentanza*) under the Existing Notes Indenture and (iii) representative (*rappresentante*) pursuant to and for the

	purposes set forth under Article 2414-*bis*, paragraph 3, of the Italian Civil Code.
"Sellers"	The Cordenons Sellers and the Fedrigoni Seller, collectively.
"Sponsor"	Bain Capital.
"TopCo"	Fabric Topco S.à r.l., established as a *société à responsabilité limitée* under the laws of the Grand Duchy of Luxembourg.
"Transactions"	The Cordenons Acquisition, the Offering, including the use of proceeds from the Offering, the payment of fees and expenses in connection with the Offering, the Fedrigoni Acquisition and the Existing Notes Offering, as applicable. See "*Summary—The Transactions*."
"Transfer Agent"	Elavon Financial Services DAC, UK Branch.
"Trustee"	U.S. Bank Trustees Limited, in its capacity as trustee.
"United States," "US" or "U.S."	The United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.
"U.S. dollars," "dollars," "U.S.$" or "$"	The lawful currency of the United States.
"U.S. GAAP"	Generally accepted accounting principles in the United States.
"we," "us" and "our"	Except where the context otherwise requires, (i) when referring to operations, businesses, market shares or historical financial results, the Fedrigoni Group and (ii) when referring to the New Notes, the Offering, other indebtedness obligations or the Transactions, the Group.

GLOSSARY OF SELECTED TERMS

“acrylic”	A type of synthetic resin obtained by a chemical reaction.
“adhesive”	A certain kind of glue activated by pressure.
“coating”	The process for applying various layers of a coating to a paper base. The coating primarily comprises a mixture of binders (latexes) and suspended minerals, usually calcium carbonate and kaolin. It gives paper particular printing properties and visual characteristics (opacity, whiteness, shade), as well as a surface finish and feel.
“commodity paper”	Paper for generic uses.
“converting”	The production of self-adhesive paper and films used in the manufacturing of labels and other self-adhesive products. The production process is based on the transformation (or “conversion”) of paper and/or plastic films into self-adhesive products by appropriate chemical and/or physical treatments of the raw materials, which are paper or plastic base stock, aqueous emulsions of acrylic adhesives, glue-based hot-melt adhesives, and silicone.
“converting products”	Self-adhesive papers and films for labels.
“Converting Segment”	The segment dedicated to the production and marketing of converting products.
“cotton waste”	Waste from cotton cloth production, sometimes known commercially as “combers.”
“eco leather”	An imitation of natural leather, produced without using pollutants.
“embossed card”	Specialty graphic paper which is fold, tear, abrasion and light resistant, used in the manufacture of premium card and cardboard products such as consumer packaging for luxury stores (including shopping bags), coverings and linings for boxes and cartons, books, cases and containers.
“embossing”	A particular production process for specialty graphic papers, making it possible to obtain certain high-value technical characteristics in the finished product.
“FSC”	The Forest Stewardship Council, a nonprofit organization whose members include environmental and civil-society groups, native communities, forest owners, technicians, certification agencies, and companies in the wood industries. Its mission is to promote forest management that will protect the natural environment. The FSC has defined a set of principles and criteria for good forest management, based on rigorous environmental and social criteria.
“FSC certified”	A certification issued by independent organizations (evaluated, accredited and monitored by the FSC) that confirms compliance with the FSC’s standards and principles for the management of forest resources.

“hot-melt”	A type of adhesive that can be spread by melting under heat.
“jumbo roll”	A very large roll of paper from which finished products are made (sheets of paper or smaller rolls requested by clients).
“metallization”	The process of applying a thin film of metal under a vacuum, used to produce metallized films that are among the security elements used in producing banknote and security papers.
“net promoter score” or “NPS”	a survey based metric that nets the number of respondents that would recommend Fedrigoni (i.e., promoters) against the number of respondents that would not recommend Fedrigoni (i.e., detractors) that we use to evaluate our customers’ satisfaction with Fedrigoni. NPS is measured by asking “how likely are you to recommend Fedrigoni to a friend or colleague on a scale of 1 to 5.” Responses of 4 or 5 are scored as “promoters,” responses of 3 are scored as “neutral” and excluded as respondents from the scoring and responses of 1 or 2 are scored as “detractors.” NPS is calculated as the sum of the percentage of promoters less the percentage of detractors, with a negative percentage representing that there are more “detractors” and “neutral” than “promoters,” and a positive percentage representing that there are more “promoters” than “detractors” and “neutral.”
“Paper and Security Segment”	The segment dedicated to paper and security products.
“Paper Business Line”	The business line in the Paper and Security Segment dedicated to making and marketing paper.
“paper products”	All products containing paper or cardboard and used primarily for printing and packaging.
“patch”	A hologram like a small stamp, applied in a specified position on a paper support.
“PIX Indexes”	Benchmark price indexes for various grades of pulp, paper, paperboard as well as recovered paper and biofuels. They measure the weekly/monthly average market price of the grades in question.
“polymer banknotes”	Banknotes made from a polymer, such as biaxially oriented polypropylene.
“premium commodity paper”	Paper targeted toward the high-quality end of the commodity paper markets.
“release”	The anti-adhesive property of a given surface.
“resin”	The raw material from which adhesives are made.
“rotary machinery”	The machinery used to treat the surface of products on a reel, set up for the processes necessary for making security products.
“SAL/PSL”	The term refers to self-adhesive label/pressure-sensitive label products.

"security"	The term "security" refers to the sector of the industry that manufactures paper intended for the printing of banknotes, security paper (used in printing such items as passports, tickets, checks, meal vouchers and diplomas) and security features, such as holograms and security threads for banknotes.
"Security Business Line"	The business line in the Paper and Security Segment engaged in the production and marketing of banknote paper and security products.
"security products"	Products manufactured in the Security Business Line, with special properties that make them extremely difficult to counterfeit. These products are made of substrates containing specific security elements like threads or holograms.
"security threads"	Special threads that are incorporated in the paper to prevent counterfeiting of a finished product such as banknotes. Security threads are manufactured using special machinery, and require specific technical expertise. To increase their anti-counterfeiting effectiveness, security threads may be magnetic, micro-printed, de-metallized or fluorescent, or present chromatic variations.
"sensitizing agents"	Chemical products that are used in making banknote and security papers, which react to specific substances upon contact, turning paper a particular color. These products are used especially to verify the authenticity of paper for checks.
"silicone"	A non-stick material used to improve release (as defined above).
"SKUs"	Stock keeping units. Each stock keeping unit designates a distinct type of product.
"sleeving"	A plastic film that is heated and then contracts, adhering to a container.
"sourcing professional"	Professionals, designers or graphics consultants whose own operations support end users in choosing our products, and who can influence the purchasing process. In the paper industry, these consultants specify the right type of paper for the end user to use in order to obtain the desired final effect.
"specialty graphic paper"	Paper goods with strong aesthetic appeal and advanced technical features. Specialty graphic paper is manufactured with special production processes (such as embossing, coating and printing) which give the finished product premium technical features (such as a particular surface texture). The principal products in this category are stamped and embossed card paper, digital paper and envelopes for digital printing, card for packaging, including luxury packaging, and coated (or gloss) card. Specialty graphic paper also includes premium commodity paper (i.e., specialty graphic paper targeted toward the high-quality end of the commodity paper markets).
"specialty paper"	Specialty graphic paper, drawing and art paper and other products marketed through our *Fabriano* brand.

"starch"	A vegetable-based polysaccharide carbohydrate used in the food industry. An aqueous starch solution is used in papermaking to give products particular printing properties. Commonly used starches are cornstarch, potato starch and tapioca.
"stripe"	A hologram applied in a continuous strip across the entire length of a paper support.
"TTF Index" or "Title Transfer Facility" ..	A virtual trading point for natural gas in the Netherlands. This trading point provides facility for a number of traders to trade futures, physical and exchange trades.
"watermark"	A design, text or figure that appears when paper is held up against the light.
"wet glue"	A technology by which a label is applied to a container by adding a layer of glue to the label.
"white certificate"	A white certificate is a tradable asset which provides evidence that a certain percentage of energy savings has been achieved. A white certificate is granted by competent authorities to a company for achieving a minimum percentage of energy savings. White certificates encourage companies to save energy through various investments in energy efficiency which are rewarded by certificates credited by registered agencies.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Issuer was incorporated in connection with the Transactions. As of the date of this Offering Memorandum, the Issuer is a holding, management and finance company with no revenue-generating activities of its own, and no business operations, material assets or material liabilities other than those incurred in connection with its incorporation, the Fedrigoni Acquisition and the Transactions. As a result, no financial information of the Issuer is included in this Offering Memorandum, except for certain limited "as adjusted" financial data presented on a consolidated basis as adjusted to reflect certain effects of the Transactions.

All historical financial information presented in this Offering Memorandum is that of Fedrigoni and its consolidated subsidiaries. Accordingly, unless otherwise stated, all references to "we," "us," "our" or the "Fedrigoni Group" in respect of historical financial information in this Offering Memorandum are to Fedrigoni and its subsidiaries on a consolidated basis.

This Offering Memorandum includes the unaudited condensed interim consolidated financial statements of the Fedrigoni Group as of and for the three months ended March 31, 2018, and the audited consolidated financial statements of the Fedrigoni Group as of and for each of the three years ended December 31, 2017, 2016 and 2015, which are presented in accordance with IFRS (the "Financial Statements").

This Offering Memorandum also contains unaudited financial information as of and for the twelve months ended March 31, 2017 and 2018. This information has been derived by adding the condensed interim consolidated financial statements data of the Fedrigoni Group as of and for the three months ended March 31, 2018, to the audited consolidated financial statements of the Fedrigoni Group as of and for the year ended December 31, 2017, and subtracting the condensed interim consolidated financial statements data of the Fedrigoni Group as of and for the three months ended March 31, 2017. The unaudited financial information for the twelve months ended March 31, 2017 and 2018 presented herein has been prepared for illustrative purposes only and may not necessarily be representative of our results for such prior period or any future period.

Our Financial Statements and various other numbers and percentages set forth in this Offering Memorandum are presented in euro, rounded to the nearest hundred thousand, unless otherwise noted. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding.

Our income statements have been prepared using the "nature of expense" rather than the "cost of sales" method. In the nature of expense method, expenses are classified in the income statement according to their nature (for example, cost of materials and personnel expenses) and not among various functions within the entity. As a result, income statements presented in accordance with the nature of expense method do not show Adjusted Gross Profit (as defined herein). Income statements presented in accordance with the cost of sales method, by contrast, classify expenses according to their function as part of cost of sales (for example, the costs of distribution or administrative activities). Profit, however, is unaffected regardless of whether the nature of expense or cost of sales method is chosen.

In the future, we will report our financial results in respect of periods following the Fedrigoni Acquisition Closing Date to holders of the Notes at the level of the Issuer in accordance with IFRS. The Issuer will account for the Acquisitions using the acquisition method of accounting under IFRS, which will affect the comparability of the Issuer's future consolidated financial statements with the information presented herein.

In making an investment decision, you must rely upon your own examination of the terms of this Offering and the financial information contained in this Offering Memorandum. You should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences could affect the financial information contained in this Offering Memorandum.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the board of directors to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our financial statements, are disclosed in our Financial Statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies."

We conduct our operations through two segments: the Paper and Security Segment and the Converting Segment. The Paper and Security Segment is organized in two business lines: the Paper Business Line and the Security Business Line. Some of our operations include sales of products in one segment or business line to another segment or business line, which we refer to as "interdivision sales."

Pro Forma Financial Information

We present in this Offering Memorandum certain unaudited pro forma financial information to give pro forma effect to the offering of the Notes and the use of proceeds therefrom. We also present Pro Forma Adjusted EBITDA to give effect to certain accounting adjustments, normalization adjustments, the estimated impact of volume reduction in the Security Business Line, run rate cost savings mainly related to procurement savings, headcount optimization and reduced management costs that are planned in connection with the Fedrigoni Acquisition, the run rate effect on Adjusted EBITDA of the Cordenons Acquisition and certain run rate cost savings mainly related to the planned reorganization of Cordenons' internal function, the estimated impact arising from a new cogeneration turbine and procurement. The unaudited adjustments to Adjusted EBITDA are based on currently available financial information and certain assumptions that we believe are reasonable and factually supportable.

Neither the pro forma financial information nor the Pro Forma Adjusted EBITDA included herein has been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or any generally accepted accounting standards. Neither the assumptions underlying the pro forma financial information nor the Pro Forma Adjusted EBITDA have been audited or reviewed in accordance with any generally accepted accounting standards. Any reliance you place on this information should fully take this into consideration.

Non-IFRS Financial Measures

In this Offering Memorandum, we present certain financial measures that are not recognized by IFRS or any other generally accepted accounting principles and that may not be permitted to appear on the face of the Financial Statements or footnotes thereto. The primary non-IFRS financial measures (the "Non-IFRS Measures") used in this Offering Memorandum include Adjusted Cash Conversion, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Operating Cash Flow, Adjusted Sales Revenues, Normalized Capital Expenditures, Pro Forma Cash Interest Expense, Pro Forma Net Financial Debt, Ratio of Pro Forma Net Financial Debt to Pro Forma Adjusted EBITDA, Ratio of Pro Forma Adjusted EBITDA to Pro Forma Cash Interest Expense, Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA Margin.

Our primary Non-IFRS Measures are defined as follows:

- "Adjusted Cash Conversion" is defined as Adjusted Operating Cash Flow divided by Adjusted EBITDA;
- "Adjusted EBITDA" is defined as net profit before depreciation amortization and impairment losses, income taxes, finance costs, finance income and the following income and costs management considers non-recurring: (i) in respect of the year ended December 31, 2017, €13.1 million of income from insurance reimbursements, €2.0 million of income from the cancellation of energy charges for energy generated and used internally, €6.5 million of other non-recurring costs related to the devaluation of stock purchased to fulfill certain orders that were later cancelled in the Security Business Line and €1.7 million related to expenses associated with the 2016 earthquake in Pioraco, Italy, (ii) in respect of the year ended December 31, 2016, €1.4 million of expenses associated with the earthquake, €1.9 million of contingent losses and unrealized income from the sales of white certificates and €2.0 million of income from insurance reimbursements and (iii) in respect of the year ended December 31, 2015, €2.4 million of expenses as a result of a fire at one of our operating facilities, €4.7 million of contingent losses and unrealized income from the sales of white certificates and €8.2 million of income from fire insurance reimbursements;
- "Adjusted EBITDA Margin" is defined as Adjusted EBITDA divided by sales revenues;
- "Adjusted Operating Cash Flow" is defined as cash generated from operations before income taxes paid subject to the following adjustments: charges to risk provisions, charges to provision for doubtful

debts, income from equity-accounted investments in associates, non-recurring income and costs and Normalized Capital Expenditures;

- "Adjusted Sales Revenues" represents sales revenues adjusted to exclude the estimated €67.0 million impact on revenues from the loss of a tender and a customer's decision to reduce volumes in the Security Business Line for the twelve months ended March 31, 2018, plus estimated net sales generated by Cordenons for the twelve months ended March 31, 2018, in an amount of €88.1 million;

- "Normalized Capital Expenditures" are defined as investments in intangible assets and property, plant and equipment, net of disposals of property, plant and equipment and intangible assets, and excluding Extraordinary Capital Expenditures. "Extraordinary Capital Expenditures" is defined as capital expenditures related to (i) investments made in 2017 in relation to the reconstruction of the production facility located in Pioraco, Italy, following the 2016 earthquake, (ii) investments in GPA Holding Company Inc. in 2015, 2016, 2017 and 2018, (iii) investments in Fedrigoni Brasil Papéis Ltda in 2015, 2016, 2017 and 2018 and (iv) investments made following a fire at our production facility in Verona, Italy in 2015;

- "Pro Forma Cash Interest Expense" is defined as the estimated cash interest expense of the Issuer on an as adjusted basis for the twelve months ended March 31, 2018, after giving pro forma effect to the Transactions as if they had occurred on April 1, 2017. Pro Forma Cash Interest Expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would actually have been had the Transactions occurred on April 1, 2017, nor does it purport to project our interest expense for any future period or our financial position at any future date;

- "Pro Forma Net Financial Debt" is defined as non-current liabilities due to banks and other lenders plus current liabilities due to banks and other lenders, less cash and cash equivalents, of the Issuer on an as adjusted basis after giving effect to the Transactions as if they had occurred on March 31, 2018 exclusive of obligations under the Fedrigoni Group's off-balance sheet rate and guarantee arrangements;

- "Ratio of Pro Forma Net Financial Debt to Pro Forma Adjusted EBITDA" is calculated by dividing Pro Forma Net Financial Debt by Pro Forma Adjusted EBITDA;

- "Ratio of Pro Forma Adjusted EBITDA to Pro Forma Cash Interest Expense" is calculated by dividing Pro Forma Adjusted EBITDA by Pro Forma Cash Interest Expense;

- "Pro Forma Adjusted EBITDA" is defined as Adjusted EBITDA, adjusted for certain specified items: accounting adjustments, normalization adjustments, the estimated impact of volume reduction in the Security Business Line, run rate cost savings and the run rate effect on Adjusted EBITDA of the Cordenons Acquisition; and

- "Pro Forma Adjusted EBITDA Margin" is defined as Pro Forma Adjusted EBITDA divided by Adjusted Sales Revenues.

The adjusted EBITDA of Cordenons represents the EBITDA of Cordenons adjusted for the normalization of bad debt accruals.

By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe EBITDA-based measures and other Non-IFRS Measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe EBITDA-based measures and other Non-IFRS Measures are regularly used by the investment community as a means of comparison of companies in our industry.

Different companies and analysts may calculate EBITDA-based measures and other Non-IFRS Measures differently, so comparisons among companies on this basis should be done carefully. EBITDA-based measures and other Non-IFRS Measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of our operations in accordance with IFRS.

Our Non-IFRS Measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to performance measures derived in accordance with IFRS or any other generally accepted accounting principles. Each of our Non-IFRS Measures is defined and reconciled to its closest comparable IFRS measure under "Summary—Summary Historical Financial and Other Information." Our Non-IFRS Measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Some of the limitations of Non-IFRS Measures are that:

- they do not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated income statement;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry and analysts may calculate these measures differently than we do, limiting their usefulness as comparative measures.

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

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

Rounding

Certain numerical figures 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 this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. In addition, as a result of such rounding, the totals of certain financial information presented in tabular form may differ from the information that would have appeared in such totals using the unrounded financial information.

CURRENCIES AND EXCHANGE RATES

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollar 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 rates may differ from the actual rates used in the preparation of our Financial Statements and other financial information appearing in this Offering Memorandum. None of the Issuer, the Guarantors or the Initial Purchasers represent that the U.S. dollar or euro amounts referred to below could be or could have been converted into U.S. dollars at any particular rate indicated or any other rate.

The average rate for a year, a month or for any shorter period, means the average of the daily Bloomberg Generic Rates during that year, month or shorter period, as the case may be. On July 10, 2018, the exchange rate between the U.S. dollar and the euro was $1.1733 per €1.00.

	U.S. dollar per €1.00			
	High	**Low**	**Average**	**Period End**
Year				
2013	1.3789	1.2819	1.3300	1.3789
2014	1.3866	1.2100	1.3209	1.2100
2015	1.2010	1.0492	1.1096	1.0866
2016	1.1527	1.0384	1.1069	1.0547
2017	1.2026	1.0427	1.1300	1.2022
Monthly				
January 2018	1.2492	1.1921	1.2204	1.2415
February 2018	1.2479	1.2209	1.2348	1.2209
March 2018	1.2444	1.2212	1.2336	1.2291
April 2018	1.2390	1.2101	1.2278	1.2101
May 2018	1.2017	1.1546	1.1820	1.1671
June 2018	1.1677	1.1678	1.808	1.1570
July 2018 (through July 10, 2018)	1.1747	1.1600	1.1690	1.1733

SUMMARY

The following summary contains basic information about us and this Offering and is qualified by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information that you should consider before investing in the Notes. For a more complete understanding of this Offering, we encourage you to read this entire Offering Memorandum carefully, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and our Financial Statements and the notes to those Financial Statements contained elsewhere in this Offering Memorandum.

We have estimated certain information in this Offering Memorandum regarding market share and our position relative to our competitors based on our internal data and certain assumptions. See "Industry." This summary includes certain technical terms that are commonly used in our industry. See "Glossary of Selected Terms" for a detailed explanation of these terms. When the terms "we," "us" and "our" are used in this section, (i) when referring to operations, businesses, market shares or historical financial results, such terms refer to the Fedrigoni Group and (ii) when referring to the Transactions, the New Notes, the Existing Notes and indebtedness obligations, such terms refer to the Group.

Overview

We are a leading European manufacturer and distributor of specialty paper, self-adhesive products and security products, such as banknote paper and security features. We are the leading manufacturer and distributor of specialty paper in Europe and Latin America by volume as of December 31, 2016. We have leading market shares in the production of specialty graphic paper, such as paper used for the luxury packaging market, as well as drawing and art paper. We expect the recently-announced acquisition of Gruppo Cordenons S.p.A., an Italy-based manufacturer and distributor of fine paper products with a focus on high-end luxury packaging and premium graphic applications, to further strengthen our presence and market shares in specialty graphic papers. Our product offering also includes a wide range of drawing and art paper marketed under the highly-recognizable Fabriano brand. We are the second largest manufacturer of self-adhesive products for the wine industry globally, with approximately 29% of global market share by volume in self-adhesive products for wine bottle labels, and the largest manufacturer in Europe, with approximately 42% of European market share by volume, in each case as of December 31, 2016. We are also a leading manufacturer of banknote paper, selling our banknote paper in Europe, Latin America, Asia and Africa, with a global market share of approximately 20% by volume in the banknote market open to competitive tender as of December 31, 2016, the only manufacturer of banknote paper with operations in Latin America, and one of the top manufacturers of security products in the European market. We also produce commodity paper products consisting of premium uncoated and coated paper for general use and office paper. For the twelve months ended March 31, 2018, we generated sales revenues of €1,057.2 million, of which 30.3% was generated in Italy, 38.7% in the rest of Europe and 31.0% in the rest of the world, Pro Forma Adjusted EBITDA of €142.7 million and net profit of €70.7 million.

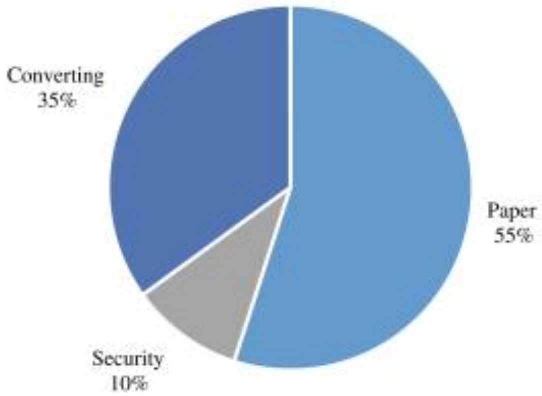
We have a unique and broad product portfolio of more than 22,000 SKUs that we manufacture through our flexible production process and market through our direct distribution system to a diversified clientele of approximately 23,000 customers, ranging from large to very small premium customers. We design customized products based on customers' feedback thanks to the flexibility of our equipment and to our widespread direct sale and distribution network. We currently operate 14 production/finishing facilities in Italy, Spain, Brazil and the United States, of which six are paper mills. In the twelve months ended March 31, 2018, we sold approximately 438 thousand metric tons of paper (including interdivision sales) and approximately 134 thousand metric tons of self-adhesive products. We distribute our products in 128 countries and, with our 21 direct distribution branches, have a direct presence in all major European markets, as well as in the United States, Latin America and China, where we see significant opportunities for growth. We also own twelve Fabriano retail boutiques across Europe through which we market our fine paper and other stationery products under the Fabriano brand.

On May 27, 2018, we agreed to acquire Gruppo Cordenons S.p.A. Cordenons has sales in more than 90 countries and a product portfolio of more than 2,500 SKUs, and it had annual production of approximately 37,000 metric tons of paper in the year ended December 31, 2017. For the twelve months ended March 31, 2018, Cordenons generated €89.8 million of gross sales and €14.8 million of adjusted EBITDA. We expect the Cordenons Acquisition to further strengthen our product offering, customer base and production capacity, increasing our scale and market shares in our core niche markets for specialty graphic paper, particularly in Europe, while at the same time broadening our customer base and providing cost savings opportunities in procurement activities. See "—The Transactions—The Cordenons Acquisition."

Our specialty paper-focused offerings provide us with stable and defensible cash flow generation, and we believe that our highly customized and flexible production processes, resulting from the use of our multi-function and versatile machinery, will enable us to continue to shift even more volumes from commodity products into specialty products and increase our profitability. We have a strong track record of growth, both organically and through focused acquisitions, and we have historically outperformed the overall market for paper, growing at a CAGR of 1.5% between 2012 and 2017 compared to a decline in the global market for paper of 0.4% in the same period, mainly thanks to our focus on premium products, such as specialty paper.

We conduct our operations through two segments: the Paper and Security Segment and the Converting Segment which, before interdivision eliminations, accounted for 77.4% and 24.2%, respectively, of our Adjusted EBITDA in the twelve months ended March 31, 2018. The Paper and Security Segment is organized in two business lines: the Paper Business Line and the Security Business Line. The graph below sets forth our Adjusted Sales Revenues by business line for the twelve months ended March 31, 2018:

Total Adjusted Sales Revenues by Segment/Business Line(1)



(1) Includes sales by the Paper Business Line to the Converting Segment and the Security Business Line.

Paper and Security Segment: Our Paper and Security Segment produces various types of paper and security products. Our Paper and Security Segment generated sales revenues of €722.5 million for the twelve months ended March 31, 2018. The Paper Business Line produces and markets specialty graphic paper, drawing and art paper, premium commodity paper, coated and uncoated paper, office paper and other kinds of paper products. Our specialty graphic paper end users include blue chip companies, such as luxury fashion brands that use our paper in their luxury packaging. Our Paper Business Line also includes the highly-recognizable Fabriano brand, which designs and markets drawing and art paper, office paper, fine stationery products, leather goods, writing products and other items, produced both in-house and by third parties using paper made by our Group. Our Paper Business Line focuses on the attractive specialty paper market, with commodity products being used primarily to fill capacity. The Paper Business Line generated sales revenues of €557.7 million for the twelve months ended March 31, 2018. As of March 31, 2018, we had approximately 17,000 customers in our Paper Business Line. We are further expanding our offering of specialty paper products through the acquisition of Cordenons. The special papers produced by Cordenons include a wide range of fine paper in various formats, grammages and colors, which are suitable for various applications, especially in the luxury packaging and graphic markets. See "—The Transactions—The Cordenons Acquisition."

The Security Business Line produces banknote paper, other paper-for-value items, such as checkbooks, passports, tickets and meal vouchers, and security features such as holograms and security threads for banknotes and other security products, such as passports and checks. We are not involved in the production of the final products such as banknotes or checks, which are printed by our customers. Our Security Business Line customers include public entities such as central banks, but also private companies involved in the production of security products. The Security Business Line generated sales revenues of €164.8 million for the twelve months ended March 31, 2018. As of March 31, 2018, we had approximately 300 customers in our Security Business Line.

Converting Segment: Our Converting Segment produces a broad range of self-adhesive products intended for the production of labels and similar items. Self-adhesive products are used in virtually every sector of merchandising, with labels representing a key element of almost all packaging products. Through our Arconvert and Manter brands, we serve a broad portfolio of paper and film label producers and distributors as well as several premium niche markets, including producers of labels for premium beverage, wine and spirit brands. Our Converting Segment generated sales revenues of €360.3 million for the twelve months ended March 31, 2018. As of March 31, 2018, we had approximately 6,000 customers in our Converting Segment.

As of March 31, 2018, we had 2,708 full-time employees, of which 2,125 were employed in the Paper and Security Segment and 583 in the Converting Segment. Our headquarters are in Verona, Italy.

Our Strengths

Leading Position with Demonstrated Growth in Profitable Premium Niche Markets

We are positioned as one of the leading European players in premium niche markets for paper and self-adhesive products, such as specialty graphic paper (e.g., for luxury packaging) and self-adhesive paper and films (e.g., for the wine label industry), which are characterized by high product quality, customized product range and a high level of customer service. We are the leading manufacturer and distributor of specialty paper in Europe and Latin America by volume as of December 31, 2016. We believe that the Cordenons Acquisition will further enhance our leading position in the European market for specialty paper. In the specialty graphic paper market, we believe we are the leading supplier of specialty graphic paper globally, with a market share of approximately 10% by volume as of December 31, 2016. We are also the second-largest player globally of drawing and art paper, which we market under the highly-recognizable Fabriano brand and a leading market share of approximately 70% in Italy, in each case by volume as of December 31, 2016. We are the third largest manufacturer of self-adhesive labels in Europe and, more specifically, we are the second largest manufacturer of self-adhesive products for the wine industry globally, with approximately 29% of global market share by volume in self-adhesive products for wine bottle labels, and the largest manufacturer in Europe, with approximately 42% of European market share by volume, in each case as of December 31, 2016. In addition, we are a leading global manufacturer of banknote paper, with a global market share of approximately 20% by volume in the banknote market open to competitive tender as of December 31, 2016. We are also the only manufacturer of banknote paper located in Latin America and one of the top manufacturers of security products in the European market.

We are also able to leverage our leading market positions in these premium niche markets, which we believe to be the most profitable markets in the paper industry, to command premium prices compared to our competitors, due to our ability to ensure high product quality, an excellent level of service, and a broad and deep product range tailored to customer needs, and, compared to our smaller competitors, to obtain favorable commercial terms from our suppliers.

We have historically outperformed the market in the premium niche markets in which we operate, growing our sales at a CAGR of 1.5% between 2012 and 2017 compared to a decline in the global market for paper of 0.4% in the same period. In particular, our sales for specialty graphic paper products grew at a CAGR of 6.2% between 2012 and 2017 and our sales for converting products grew at a CAGR of 6.1% in the same period. Between 2015 and 2017, Cordenons grew sales at a CAGR of 1.9%, mainly driven by an increase in volumes of products sold. We believe that our leading position and our strong historical track record of growth will enable us to take advantage of the development of the markets in which we operate.

Strong Heritage and Well-Established Brand Recognition

We are a specialty paper and self-adhesive products manufacturer, with a strong reputation in premium niche markets that sets us apart from larger paper makers focused on commodity papers. Our strong competitive positions in the premium niche markets are underpinned by our well-established brands, including the Fedrigoni, Fabriano, Arconvert, Manter and GPA brands. Our Fedrigoni brand, with its 130-year history, is associated with excellence, quality and innovation in specialty papers, and is a reliable partner for companies operating in this sector such as printers and paper processors for luxury packaging. Our Fabriano brand, with a papermaking tradition dating back 750 years, is one of the oldest paper brands in Europe, and we believe it is perceived as synonymous with very high-quality paper made in Italy. The "Fabriano 4" paper block in particular, which has been part of the standard school materials for Italian schoolchildren for more than 40 years, is a product with very strong brand awareness and is used by three million students annually. Our Arconvert and Manter brands have gained a leading position in the sector of self-adhesive papers and films, and are associated with high quality products such as labels for the wine industry. We also market our paper and self-adhesive products in the United States through our GPA brand, following the acquisition in 2015 of one of the leading U.S. players in the distribution of special digital paper and self-adhesive products. Customer surveys indicate we have the highest net promoter score in the premium niche markets in which we operate, which shows the strength of our brand and the loyalty of our customers. We believe that the acquisition of Cordenons, with its fine paper brands such as Astrosilver, Modigliani, Wild, Papermilk, Dalí and Malmero, will also strengthen the range of our highly-recognizable brands in the specialty paper market. We also believe that brand awareness makes it difficult for new competitors to enter into our premium niche markets, since their brands may be less recognizable to customers.

Cash Generative Business Highly Resilient Through Economic and Raw Material Input Cycles

Our business has delivered consistent sales growth and resulted in stable cash flow generation in recent years. Our sales have steadily increased at a CAGR of 3.4% over the last ten years, showing a strong and resilient financial profile through macro-economic and commodity price cycles. Our Adjusted Cash Conversion was 65.6%, 76.5% and 70.2% for the years ended December 31, 2015, 2016 and 2017, respectively, and 87.3% for the twelve months ended March 31, 2018, and our Normalized Capital Expenditures amounted to €21.7 million, €21.4 million and €21.9 million for the years ended December 31, 2015, 2016 and 2017, respectively, and €20.5 million for the twelve months ended March 31, 2018. While our Adjusted EBITDA Margins have been relatively stable (12.3%, 13.4% and 12.4% for the years ended December 31, 2015, 2016 and 2017, respectively, and 12.3% for the twelve months ended March 31, 2018), we see significant upside in our ability to identify new opportunities for volume growth and increase our margins, which we believe can be further improved by expanding our geographic footprint and product offering, by increasing our leading position in premium niche markets and, at the same time, by reducing our costs and streamlining our procurement function. Our business has also shown a high degree of resilience during periods of global economic downturn, including a certain degree of counter-cyclicality. The prices of raw materials used in our production cycle (such as pulp, natural gas, mineral coatings and chemical products) typically decline during periods of economic downturn, thus decreasing our raw materials costs. At the same time, the flexibility of our production processes allows us to rapidly adapt to changes in customer demand and to optimize capacity utilization and therefore typically results in only modest declines in demand for our paper products. For example, in 2009, we experienced only a moderate decline of 2% in sales revenues compared to the previous year, which was more than offset by a significant decline in the costs of pulp and cotton, and we experienced an increase of 28% in Adjusted EBITDA during such period. Moreover, while profitability for commodity paper is more sensitive to the price of pulp, specialty papers and converting products are less tied to swings in the price of pulp due to a high ability to pass through raw material price increases to customers, and therefore as we continue to shift volumes from commodity to specialty products we expect our results of operations to be less affected by fluctuations in raw material prices than paper producers focused on commodity paper production.

Specialty Driven, Highly Flexible and Synergistic Production Process

Our production process is based on the use of small and medium-sized, multi-function and versatile machinery, often custom-designed by our technicians to produce a wide variety of graphic paper and self- adhesive products. Our multi-function machinery allows us to produce a broad range of specialty papers. Our flexible production process allows us to offer a broad range of products tailored to our customers that would be difficult for larger, bulk commodity paper manufacturers to replicate (particularly in terms of managing small and fragmented orders, due to less flexible production facilities, which do not allow a great customization of the final product). Approximately 70% of the products we manufacture across our two segments are high margin premium products. Our flexible production process also enables us to balance risk exposure across economic cycles (in light of different market dynamics affecting each of our business lines) and to quickly switch our production focus by adjusting to relevant market changes. By leveraging the high flexibility of our production facilities and the wide knowledge of our markets and customers, we can plan in a timely manner for an optimum mix of finished and semi-finished products, with the objective of maximizing profitability by prioritizing products with higher margins, ensuring customer service (i.e., having the necessary product at the right time) and minimizing working capital. In addition, the high level of technical expertise in the paper production processes enables us to operate with a streamlined workforce, maintain a level of efficiency in line with the best market standards, and to control costs.

We also benefit from a highly synergistic production cycle. The Paper Business Line, the Security Business Line and the Converting Segment serve different markets but share the same requirement to offer customers high quality, tailored and broad product offerings. Part of our specialty graphic paper production is allocated to the Converting Segment, which allows us to reduce purchasing and production costs and fill our production capacity, which is critical to ensure fixed costs absorption. Moreover, our strong direct distribution network provides us with bargaining power vis-à-vis third party distributors. At the same time, we use our paper distribution network to market our converting products and provide our customers in the Converting Segment with access to a complete range of specialty products developed by the Paper Business Line that are not available to competitors. A number of our specialty paper production lines are also shared with our Security Business Line, which allows us to optimize capacity utilization and minimize the production time allocated to commodity products. Moreover, we can leverage our know-how in the Converting Segment to develop adhesive elements for our security paper production.

Efficient Direct Distribution System Serving a Diversified, Blue Chip Customer Base

Our distribution system is characterized by a "direct go-to-market" approach. We rely on a wide distribution structure that we manage directly, which allows us to exercise control in the distribution of our products and to sell these products to a highly fragmented customer base. We have 21 direct distribution branches in Europe, the United States, Latin America and China, as well as twelve Fabriano retail boutiques across Europe. Our "direct go-to-market approach" differentiates us from larger commodity manufacturers, which typically do not rely on a direct distribution system and do not customize their products on the basis of direct dialogue with customers, and therefore lack access to smaller and premium customers. Our direct distribution system is also supplemented by a network of distributors and independent agents who sell the majority of our products in 128 countries.

Our unique and broad product portfolio of more than 22,000 SKUs and the level of specialization we provide has resulted in a highly diversified customer base. The flexibility of our production and distribution structure and the integration between our Segments enable us to serve both large and premium customers. Our end users include global blue chip companies, such as famous luxury fashion brands using our paper in their luxury packaging and global wine and spirit producers using our Converting Segment's self-adhesive products to produce their labels. For the twelve months ended March 31, 2018, we had approximately 17,600 customers in our Paper and Security Segment as well as 6,000 customers in our Converting Segment, and our ten largest customers in the Paper Business Line and the Converting Segment accounted for 4.6% and 3.6% of our sales revenues, respectively. We also benefit from multi-year relationships with key decision makers in the markets in which we operate, such as brand managers, creative agencies, designers and printers. We expect the end users of our premium products to continue to demand more variety, higher frequency and at increasingly premium standards for their packaging, labelling and paper needs, which we expect to continue to drive volumes and enhance the profitability of our specialty paper and converting businesses.

Highly Experienced Management Team with a Strong Track Record and Strong Sponsor Support

We have a highly experienced management team. Our senior managers have a combined total experience of over 100 years in our industry and a strong track record in optimizing our business model that is highly regarded in the specialty paper industry. In addition, our management team has significant operating experience, having successfully reorganized our operations, which are now highly integrated, with centrally managed sales, marketing, risk, management, finance and administration functions. Participating members of our senior management will be granted an incentive package with a strong focus on increasing EBITDA and cash generation in connection with the Transactions. The management team has delivered results under volatile and varied macroeconomic conditions, including the global economic downturn and weak growth in our Western European markets. In addition, we benefit from the market expertise, business relationships, knowledge and experience of our Sponsor, Bain Capital. Bain Capital is one of the most active sponsors both in the broader industrial space as well as in chemicals, industrial transformation processes and, directly or indirectly, paper. The extensive experience in these sectors positions the Sponsor to understand the complexities of the industry and support the Group's management team. The Sponsor also has a strong track record of driving cost savings and improvements in margin, while at the same time growing its portfolio companies both organically and through targeted acquisitions.

Our Strategies

We and the Sponsor have developed the following strategies:

Maintain and Grow Our Leading Positions in Attractive Premium Niche Markets by Leveraging Flexible Production, High-Quality Products and Highly-Recognizable Brands

As an established market leader in the manufacturing and distribution of specialty paper and self-adhesive products, we intend to continue to reinforce and grow our leading market positions in the attractive premium niche markets in which we operate. We believe that we are well-positioned to benefit from global growth trends in our core markets, and we believe the Cordenons Acquisition will improve our position even further. As a large player with a highly diversified product offering and customer base, strong distribution network and highly recognizable brands, we intend to continue to leverage our flexible production and broad expertise to support our main business lines, improve our margins, expand our market share and product offering (including in the profitable food and beverage, olive oil and cosmetics markets) as well as strengthen our relationships with key decision makers, such as brand managers, designers and printers. Moreover, we intend to continue to shift even more volumes from commodity products into specialty products, which we expect, together with our focus on streamlining our operations, will increase our profitability.

Accelerate Global Growth in Attractive Premium Niche Markets

We intend to consolidate our market leadership in the attractive premium niche markets for specialty paper and self-adhesive products by expanding our geographic footprint. We see significant potential to expand sales growth in international markets where we already operate, such as Germany, the United Kingdom, France, Spain, Austria, Benelux, Brazil, the United States and China, by strengthening our direct sales structure and expanding the range of our premium products available locally in order to strengthen our relationships with existing and potential customers. At the same time, we intend to build on our highly recognizable brand, diversified product offering and distribution network in order to enter into new, international markets, such as Argentina, Australia and Eastern Europe. In addition, we plan to establish new relationships with potential strategic customers by initially supplying lower value-added paper products with a view to gradually expanding the relationship to premium paper products, in particular specialty paper.

Increase Profitability by Focusing on Cost and Procurement Management and Operational Efficiency and Further Improving Our Product and Distribution Mix

We believe that we have significant potential to improve our margins and strengthen our business by implementing certain cost savings initiatives. The Sponsor has an extensive track record of driving efficiency in its other investments, providing us with an opportunity to implement its established best practices to significantly improve our profitability. For example, we intend to continue optimizing our procurement process by streamlining the supply of raw materials across our production segments and increasing the operational efficiency of our procurement division. We also believe that we can achieve cost savings with respect to our operating expenses by optimizing our headcounts and our sales force structures and reducing non-personnel general and administrative spending. By the end of 2020, we expect to have undertaken initiatives resulting in approximately €18.0 million of annual run-rate cost savings mainly related to procurement savings, headcount optimization and management costs. We intend to leverage our distribution network to increase the volumes of our products that we sell directly (rather than through third-party distributors) to our customers and minimize production time allocated to commodity products in order to increase our profitability and resilience to changes in the price of raw materials.

Continue to Invest in Innovation, Research and Development

Our research and development division is focused on improving existing products, creating new products based on customers' needs and innovating our production processes. We intend to continue to invest in innovation and research and development to offer our customers an even more diversified, sophisticated and customized range of products, particularly with respect to specialty paper and self-adhesive products, by strengthening the cooperation between our research and development division and our production, marketing and procurement functions. We also intend to increase the level of support provided by our after-sales, marketing and sales teams to the research and development division in terms of information on customer needs and preferences to streamline our research and development initiatives.

Successfully Integrate Gruppo Cordenons and Selectively Consider Accretive Acquisition Opportunities

We have a strong track record of growth, both organically and through focused acquisitions, and we intend to continue this combination in the future. Examples of our most significant acquisitions include, in 2002, the acquisition of Cartiere Miliani Fabriano S.p.A., the Italian paper company which owned the historic Fabriano brand, in 2004, our acquisition of the security business line of Mantegazza Antonio Arti Grafiche S.r.l., which enabled us to expand our business to the production of security products, and in 2015, the acquisition of GPA Holding Company Inc., a U.S. player operating in the distribution of special digital paper and self-adhesive products, and Fedrigoni Brasil Papéis Ltda (previously Arjo Wiggins Ltda.), a Brazilian leader in the specialty graphic papers and security papers and products. Recently, we entered into the Cordenons Acquisition Agreement to acquire Cordenons, a manufacturer and distributor of fine paper in Italy focused on high-end luxury packaging and graphic applications and, following the consummation of the Cordenons Acquisition, we plan to leverage our experience to successfully integrate Cordenons into our business. We intend to continue to selectively evaluate and potentially acquire companies with customer relationships and product offerings in our core businesses of specialty paper and self-adhesive products, as attractive opportunities arise. For example, one of our strategies is to continue our growth in Europe and North America through selective acquisitions that will increase our luxury and converting operations. We expect that this strategy will allow us to further diversify our geographical presence, customer base and product range, expanding our sales network, brands' portfolio and value chain downstream.

Recent Trading

Based on our unaudited preliminary management accounts for the five months ended May 31, 2018, sales revenues and Adjusted EBITDA decreased compared to the five months ended May 31, 2017. The decrease in sales revenues and Adjusted EBITDA was mainly due to the decrease in volumes in the Security Business Line. Excluding the impact of the cancellation of some orders in the Security Business Line and the decreased volumes related to a customer in the Security Business Line, our performance in the five months ended May 31, 2018 was in line with the same period in 2017, notwithstanding an increase in the price of pulp.

The preliminary financial results presented above are derived from our accounting records and internal management accounts (which are prepared based on the retail calendar that we use for the preparation of our management accounts). This information has not been audited, reviewed or compiled, nor have any procedures been performed by our independent auditors with respect thereto. Accordingly, you should not place undue reliance on it, and no opinion or any other form of assurance is provided with respect thereto. Our preliminary financial results are based upon a number of assumptions and judgments that are subject to inherent uncertainties and are subject to change, and are not intended to be a comprehensive statement of our financial or operational results for the five months ended May 31, 2018. We have not yet prepared condensed consolidated interim financial statements for the quarter ended June 30, 2018. Accordingly, the preliminary financial results presented above are subject to the completion of our results for the quarter ended June 30, 2018, may change and those changes may be material. See "Risk Factors" and "Forward-Looking Statements."

The Transactions

The Fedrigoni Acquisition and the Financing of the Fedrigoni Acquisition

On April 16, 2018, the Issuer acquired 99.99945% of the issued and outstanding capital stock of Fedrigoni from the Fedrigoni Seller pursuant to the Fedrigoni Acquisition Agreement. In connection with the Fedrigoni Acquisition, the Issuer entered into the Fedrigoni Bridge Facilities Agreement, which provided for €455.0 million in aggregate principal amount of the Fedrigoni Bridge Facilities. The Issuer used the net proceeds from the Bridge Facilities and an equity contribution from its parent companies to finance the Fedrigoni Acquisition, to repay certain of the Fedrigoni Existing Debt (via the Fedrigoni Funding Loan) and for the general corporate purposes of the Issuer and the Fedrigoni Group. The Issuer also entered into the Revolving Credit Facility Agreement on April 11, 2018, in connection with the Fedrigoni Acquisition. On May 11, 2018, the Issuer refinanced the Fedrigoni Bridge Facilities with proceeds from the issuance of the Existing Notes under the Existing Notes Indenture, as well as with cash on hand at the Issuer. For a description of the Revolving Credit Facility and the Existing Notes, see "Description of Other Indebtedness—Revolving Credit Facility Agreement" and "—Existing Notes."

The Cordenons Acquisition

On May 27, 2018, HoldCo entered into the Cordenons Acquisition Agreement with the Cordenons Sellers to acquire all of the issued and outstanding share capital of Cordenons. On June 18, 2018, HoldCo assigned its rights and obligations under the Cordenons Acquisition Agreement to Bianco Bidco. In connection with the Cordenons Acquisition, the Issuer entered into the Cordenons Bridge Facilities Agreement, which provides for €125.0 million in aggregate principal amount of Cordenons Bridge Facilities. The Issuer drew on the Cordenons Bridge Facilities to fund the consideration payable for all of the issued and outstanding share capital of Cordenons (via the Bianco Funding Loan), repay the Cordenons Existing Debt no later than 180 days from the Cordenons Acquisition Closing Date (via the Cordenons Funding Loan) and pay fees and expenses in connection with the Cordenons Acquisition and the Cordenons Bridge Facilities. See "—The Financing of the Cordenons Acquisition" and “Use of Proceeds.” The Cordenons Acquisition closed on July 11, 2018 (the “Cordenons Acquisition Closing Date”).

Although the Cordenons Sellers have given certain customary representations, warranties and indemnities in the Cordenons Acquisition Agreement, the Issuer may not be able to enforce claims against the Cordenons Sellers relating to breaches of these representations, warranties and indemnities. See “Risk Factors—Risks Related to the Transactions—We may not be able to enforce claims relating to a breach of the representations and warranties that the Sellers have provided to the Issuer under the Acquisition Agreements.”

Cordenons

Cordenons is an Italian manufacturer and distributor of fine paper focused on high-end luxury packaging and premium graphic applications. With sales in more than 90 countries, a product portfolio of more than 2,500 SKUs and an annual production of approximately 37,000 metric tons of paper in the year ended December 31, 2017, the Cordenons Acquisition significantly increases our scale in one of our key markets. For the twelve months ended March 31, 2018, Cordenons generated €89.8 million of gross sales and €14.8 million of adjusted EBITDA, with an average selling price of €2,345 per ton.

Cordenons operates its business through two segments: the “special papers” segment, accounting for approximately 90% of Cordenons’ gross sales and volumes in the year ended December 31, 2017, and the “industrial” segment, accounting for approximately 10% of Cordenons’ gross sales and volumes in the same period. The special papers segment generated €80.7 million of gross sales in the year ended December 31, 2017. The special papers segment focuses on the production of a wide range of fine paper in various formats, grammages and colors, which are suitable for various applications especially in the luxury packaging and graphic markets, with approximately 30% of such products being distributed through its direct distribution network. In addition to its broad portfolio of special paper, Cordenons supplies customized papers according to specific customer requirements of color, weight and finish. Cordenons’ fine papers are marketed through various recognizable brands, such as Astrosilver, Modigliani, Wild, Papermilk, Dalí and Malmero. The fine papers produced by Cordenons include similar products to the specialty papers produced by Fedrigoni. Cordenons’ special papers end users include blue chip companies, such as luxury fashion brands. The industrial segment generated €7.9 million of gross sales in the year ended December 31, 2017. The industrial segment produces a wide range of products for various stages of the industrial filtering process, such as filter paper and converted filtering products (e.g., cartridges and filter bags), approximately 45% of which are distributed through its direct distribution network.

Europe is Cordenons’ largest market. In the year ended December 31, 2017, approximately 65% of the gross sales from special papers produced by Cordenons and approximately 70% of the gross sales from industrial products were generated in Europe, with approximately 30% of the gross sales generated from the Italian market. Cordenons operates two production facilities, which are also paper mills, in Cordenons and Scurelle, both located in Italy, with an annual production capacity of approximately 30,000 and 15,000 metric tons, respectively. Cordenons headquarters are located in Milan, Italy. As of December 31, 2017, Cordenons had 290 full-time employees.

For the years ended December 31, 2015, 2016 and 2017, Cordenons generated, respectively, €85.4 million, €86.2 million and €88.7 million of gross sales and €12.6 million, €13.8 million and €14.4 million of EBITDA.

Through the Cordenons Acquisition, we expect to benefit from the synergies arising from Cordenons’ specialty papers production and know-how, strengthen our offering of high value-added specialty paper and key relationships with customers, preserve our leading position in the Italian and European markets, improve our profitability by further shifting our production towards specialty paper products, and realize certain cost savings.

The Financing of the Cordenons Acquisition

The sources and uses to consummate the Cordenons Acquisition (via the Bianco Funding Loan), repay the Cordenons Existing Debt no later than 180 days from the Cordenons Acquisition Closing Date (via the Cordenons Funding Loan), and pay fees and expenses in connection with the Cordenons Acquisition and the Cordenons Bridge Facilities are shown in the table below.

Sources of Funds	Amount (€ million)	Uses of Funds	Amount (€ million)
Gross proceeds from Cordenons Bridge Facilities[(1)]	125.0	Purchase price for the Cordenons Acquisition	122.0
Cash on hand at the Issuer	1.0	Fees and expenses paid in connection with the Cordenons Acquisition and the Cordenons Bridge Facilities	4.0
Total Sources	**126.0**	**Total Uses**	**126.0**

(1) Represents both the (i) €119.0 million in aggregate principal amount of Cordenons Bridge Facilities made available under the tranche of the Cordenons Bridge Facilities which will be used to pay the purchase price for the Cordenons Acquisition (via the Bianco Funding Loan) and for fees and expenses in connection with the Cordenons Acquisition, and (ii) €6.0 million in aggregate principal amount of Cordenons Bridge Facilities made available under the tranche of the Cordenons Bridge Facilities which will be used to repay Cordenons Existing Debt via the Cordenons Funding Loan no later than 180 days from the Cordenons Acquisition Closing Date.

The Cordenons Refinancing

The gross proceeds from the Offering, together with cash on hand, will be used to refinance amounts that will be incurred under the Cordenons Bridge Facilities.

Sources and Uses of the Cordenons Refinancing

The estimated sources and uses of the funds necessary to complete the Cordenons Refinancing are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences in the actual amount of fees and expenses compared to our estimates.

Sources of Funds	Amount (€ million)	Uses of Funds	Amount (€ million)
Notes offered hereby[(1)]	121.3	Repayment of the Cordenons Bridge Facilities[(2)]	125.2
Cash on hand at the Issuer	3.9		
Total Sources	**125.2**	**Total Uses**	**125.2**

(1) Does not reflect the interest that would have accrued on the New Notes if they had been issued on May 11, 2018 to the New Notes Issue Date.

(2) Represents the aggregate principal amount of indebtedness outstanding under the Cordenons Bridge Facilities, plus estimated accrued and unpaid interest on the Cordenons Bridge Facilities through the New Notes Issue Date.

Post-Completion Mergers

We intend to merge the Issuer and Fedrigoni, with Fedrigoni MergerCo being the surviving entity (the "Fedrigoni Post-Completion Merger"). We expect to complete the Fedrigoni Post-Completion Merger within 19 months following the Fedrigoni Acquisition Closing Date. We also intend to merge Bianco Bidco and Cordenons, with Cordenons MergerCo being the surviving entity (the "Cordenons Post-Completion Merger" and, together with the Fedrigoni Post-Completion Merger, the "Post-Completion Mergers"). We expect to complete the Cordenons Post-Completion Merger within nine months following the Cordenons Acquisition Closing Date. The Post-Completion Mergers are subject to certain conditions and may not be completed.

The Issuer

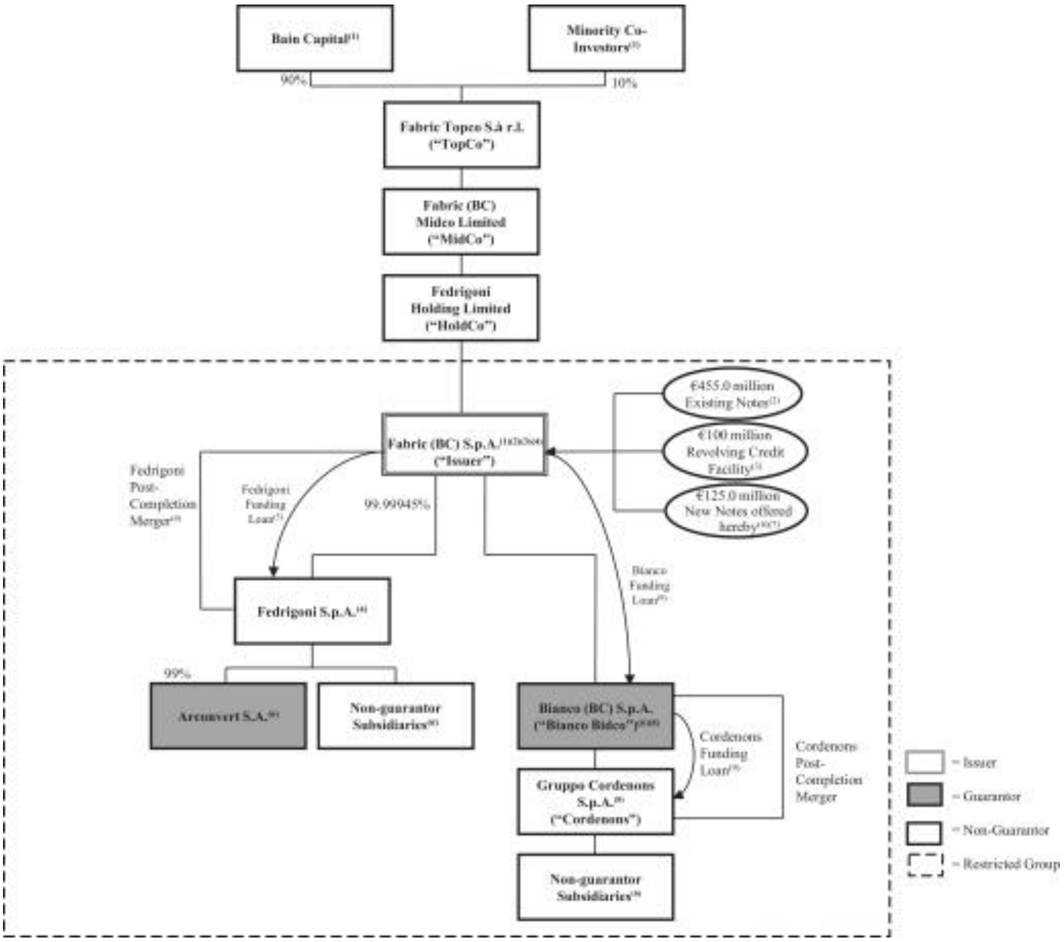
The Issuer, Fabric (BC) S.p.A., was incorporated in Italy as Fabric (BC) S.r.l. on December 12, 2017, and converted to a società per azioni on January 15, 2018. The Issuer is registered under number 10134140960 with the Companies Register of Milan, Monza, Brianza and Lodi (Registro delle Imprese di Milano, Monza, Brianza e Lodi) and has its registered office at Via Vittor Pisani no. 20, Milan. The Issuer has an authorized share capital of €1,000,000 divided into 1,000,000 fully paid shares with a par value of €1 each. The Issuer's immediate shareholder is HoldCo, which is indirectly controlled by the Sponsor. See "Management."

Our Principal Shareholder—Bain Capital

Bain Capital is a leading global private investment firm that advises and manages capital across several asset classes, including private equity, venture capital, public equity and leveraged debt assets. Since its inception in 1984, Bain Capital and its affiliates have completed over 450 transactions and have made investments in more than 300 companies in a broad range of industries, including healthcare, consumer/retail, financial and business services, industrials, and technology, media and telecommunications. Bain Capital's global team of approximately 355 investment professionals creates value for its portfolio companies through its global platform and depth of expertise, managing approximately $US 95 billion in total and leveraging the firm's shared platform to capture opportunities in strategic areas of focus. The firm not only has a strong track record of investments in the paper industry, including its investments in American Pad & Paper (specialized in branded paper office products), Buhrmann (a worldwide distributor of office products and specialty graphic papers), Container Corp (a producer of paperboard & packaging products), Trinseo (a global chemical manufacturer of latex products for usage in the paper industry), Suddekor (a leading printer of décor paper for high quality furniture and flooring surfaces), Veritiv (a leading paper and packaging distribution provider in North America) and Greatview (a major aseptic paper packaging producer in China), but also in transformational investments in Italy, including its investments in Cerved, Fintyre, Nexi and TeamSystem. Globally, the firm has successfully invested in market-leading companies, such as Apple Leisure Group, Bloomin Brands, Burger King, Burlington Coat Factory, Dollarama, Dunkin Brands, Jack Wolfskin, Jupiter Shop Channel, Maisons Du Monde, Samsonite and Verisure/Securitas Direct. Bain Capital has investors from across the world that include sovereign wealth funds, public pension funds, foundations, insurance companies, family offices, high-net-worth individuals and funds of funds. Headquartered in Boston, Bain Capital and its affiliates have offices in Chicago, Palo Alto, San Francisco, New York, Dublin, London, Luxembourg, Munich, Melbourne, Hong Kong, Shanghai, Mumbai, Sydney and Tokyo.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum adjusted to give effect to the Transactions. All entities shown below are 100% directly or indirectly owned unless otherwise indicated. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "Description of the Notes," "Description of Other Indebtedness" and "Capitalization." The holdings of the Sponsor in TopCo include minority holdings of certain co-investors. See "Principal Shareholders."



(1) Bain Capital controls TopCo and holds 90% of the share capital of TopCo, with the remaining 10% of the share capital of TopCo being held by a special purpose vehicle established by a member of the Fedrigoni family who re-invested in the Group via such holding in TopCo. In addition, certain members of the Group's management have been invited to participate in a co-investment plan through which they subscribed for interests in TopCo granting them certain economic rights. The rights of the shareholders in TopCo are governed by a customary shareholders' agreement. TopCo controls the Issuer through the wholly-owned intermediate holding companies MidCo and HoldCo. The Issuer is the direct owner of 99.99945% of the share capital of Fedrigoni, with the remaining share capital held by certain minority shareholders. The Issuer is also the direct owner of the entire share capital of Bianco Bidco which, following the Cordenons Acquisition Closing Date, will be the direct owner of all of the issued and outstanding share capital of Cordenons.

(2) In connection with the Fedrigoni Acquisition, the Issuer used proceeds from the Fedrigoni Bridge Facilities and the HoldCo Contribution to fund the purchase price for the Fedrigoni Acquisition, to repay or refinance a portion of the Fedrigoni Existing Debt (via the Fedrigoni Funding Loan), to pay fees and expenses in connection with the Fedrigoni Acquisition and the Fedrigoni Bridge Facilities and for general corporate purposes. See "—The Transactions." On May 11, 2018, the Issuer offered €455.0 million in aggregate principal amount of Senior Secured Floating Rate Notes (the "Existing Notes"). The gross proceeds from the offering of the Existing Notes, together with cash on hand, were used to refinance amounts that were incurred under the Fedrigoni Bridge Facilities and to pay the costs, fees and expenses incurred in connection with the offering of the Existing Notes.

(3) The Revolving Credit Facility provides for aggregate borrowings of up to €100.0 million (equivalent). The Revolving Credit Facility is secured on a first-ranking basis by the Collateral securing it from time to time and will be secured by a special lien (privilegio speciale) over the movable assets of Fedrigoni MergerCo granted by Fedrigoni MergerCo in accordance with article 46 of the Italian Banking Act following the Fedrigoni Post-Completion Merger. See "Description of Other Indebtedness—Revolving Credit Facility Agreement." The Guarantors and certain other material subsidiaries of Fedrigoni will guarantee the Revolving Credit Facility. In addition to the privilegio speciale described above that will only secure the Revolving Credit Facility, the same collateral that secures the Notes will also secure the Revolving Credit Facility and certain hedging obligations. See "Description of Other Indebtedness—Revolving Credit Facility

Agreement." The Revolving Credit Facility was undrawn on the Existing Notes Issue Date and we expect the Revolving Credit Facility to be undrawn on the New Notes Issue Date. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility, certain hedging obligations and any other indebtedness that is secured on a super priority basis will receive priority in relation to any proceeds received upon any enforcement action over any Collateral. Any remaining proceeds received upon any enforcement action over any Collateral will be applied pro rata to the repayment of all obligations under the Indenture and any other senior secured indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement. See "Description of Other Indebtedness—Intercreditor Agreement."

(4) We intend to merge the Issuer and Fedrigoni, with Fedrigoni MergerCo being the surviving entity (the "Fedrigoni Post-Completion Merger"). We expect to complete the Fedrigoni Post-Completion Merger within 19 months following the Fedrigoni Acquisition Closing Date. The Fedrigoni Post-Completion Merger is subject to certain conditions and may not be completed. See "Risk Factors—Risks Related to the Transactions—We may be unable to complete the Post-Completion Mergers within the anticipated time frame, or at all."

(5) On the Fedrigoni Acquisition Closing Date, the Issuer, as lender, and Fedrigoni, as borrower, entered into the Fedrigoni Funding Loan in the amount of €74,706,248.10, pursuant to which the Issuer lent and Fedrigoni borrowed a portion of the proceeds of the Fedrigoni Bridge Facilities to allow Fedrigoni to repay or refinance a portion of the Fedrigoni Existing Debt. If the Fedrigoni Post-Completion Merger occurs, at such time the Fedrigoni Funding Loan will be terminated and the security interests over the Issuer's interests in the receivables in respect of the Fedrigoni Funding Loan will cease to be effective.

(6) On the New Notes Issue Date, the New Notes will, subject to certain agreed security principles and certain perfection requirements, be secured by the Issue Date Collateral. Subject to certain agreed security principles and certain perfection requirements, the collateral securing the New Notes, (i) no later than ten Business Days from (and excluding) the New Notes Issue Date, will consist of the Cordenons Issue Date Collateral A and (ii) no later than 20 Business Days from (and excluding) the New Notes Issue Date, will consist of the Cordenons Issue Date Collateral B. Subject to certain agreed security principles and certain perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from the day on which the Fedrigoni Post-Completion Merger becomes effective, will consist of the applicable Fedrigoni Post-Merger Collateral; or, no later than 20 Business Days following the Cut-off Date but before the Fedrigoni Post-Completion Merger becomes effective, the collateral securing the New Notes and the Guarantees (upon the granting thereof by the respective guarantors of the New Notes), will, subject to certain agreed security principles and certain perfection requirements, consist of the applicable Fedrigoni Post-Merger Collateral. Subject to certain agreed security principles and perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from the day on which the Cordenons Post-Completion Merger becomes effective, will consist of the Cordenons Post-Completion Merger Collateral. Each of the Issue Date Collateral, the Cordenons Issue Date Collateral A, the Cordenons Issue Date Collateral B, the Fedrigoni Post-Merger Collateral and the Cordenons Post-Completion Merger Collateral is further described under "Description of the Notes—Security." Prior to the Fedrigoni Post-Completion Merger (as defined herein), the New Notes will be structurally subordinated to any existing or future indebtedness of Fedrigoni and its subsidiaries, and after the Fedrigoni Post-Completion Merger, the New Notes will be structurally subordinated to obligations of subsidiaries of Fedrigoni MergerCo (as defined herein) that are not guarantors of the New Notes, including obligations owed to trade creditors and depositors of such subsidiaries. As of and for the twelve months ended March 31, 2018, the Guarantors, together with Fedrigoni, collectively accounted for 62.4% of the consolidated total assets (after interdivision eliminations), 55.9% of the consolidated sales revenues (after interdivision eliminations) and 66.8% of the consolidated Adjusted EBITDA (before interdivision eliminations) of the Fedrigoni Group. As of and for the period ended March 31, 2018, on a pro forma basis after giving effect to the Transactions, the Guarantors, together with Fedrigoni, collectively accounted for 51.1% of the consolidated sales revenues (after interdivision eliminations) and 60.2% of the consolidated Adjusted EBITDA (before interdivision eliminations) of the Group. Cordenons is expected to merge with Bianco Bidco in the Cordenons Post-Completion Merger. As of March 31, 2018, after giving effect to the Transactions, the subsidiaries of Fedrigoni that are not expected to guarantee the New Notes would have had approximately €0.8 million of third-party debt outstanding. The laws of the jurisdictions in which the Guarantors and Fedrigoni are organized limit the amount of obligations that may be guaranteed, or in respect of which security interests may be provided as well as the enforceability of Guarantees and the rights to the security securing the Notes and the Guarantees. For more information on limitations to the validity and enforceability of the Guarantees and the security interests and the liability of the Guarantors and security provider, see "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

(7) In connection with the Cordenons Acquisition, the Issuer used proceeds from the Cordenons Bridge Facilities and cash on-hand to fund the consideration payable for all of the issued and outstanding share capital of Cordenons (via the Bianco Funding Loan), repay the Cordenons Existing Debt no later than 180 days from the Cordenons Acquisition Closing Date (via the Cordenons Funding Loan) and pay fees and expenses in connection with the Cordenons Acquisition and the Cordenons Bridge Facilities. See "Summary—The Financing of the Cordenons Acquisition" and "Use of Proceeds." We are offering €125.0 million in aggregate principal amount of Senior Secured Floating Rate Notes (the "New Notes"). The gross proceeds from the Offering, together with cash on hand, will be used to repay amounts outstanding under the Cordenons Bridge Facilities, including accrued interest thereon. If the Cordenons Post-Completion Merger occurs, at such time the Cordenons Funding Loan will be terminated and the security interests over the Bianco Bidco's interests in the receivables in respect of the Cordenons Funding Loan will cease to be effective. The New Notes will be general, senior secured obligations of the Issuer.

(8) We intend to merge Bianco Bidco and Cordenons, with Cordenons MergerCo being the surviving entity (the "Cordenons Post-Completion Merger" and, together with the Fedrigoni Post-Completion Merger, the "Post-Completion Mergers"). We expect to complete the Cordenons Post-Completion Merger within nine months following the Cordenons Acquisition Closing Date. The Cordenons Post-Completion Merger is subject to certain conditions and may not be completed. See "Risk Factors—Risks Related to the Transactions—We may be unable to complete the Post-Completion Mergers within the anticipated time frame, or at all."

(9) On or about the Cordenons Acquisition Closing Date, (i) the Issuer, as lender, and the Target, as borrower, entered into the Bianco Funding Loan, pursuant to which the Issuer will lend and Bianco Bidco will borrow a portion of the Cordenons Bridge Facilities to pay the purchase price for the Cordenons Acquisition, grant funding to Cordenons to allow Cordenons to repay the Cordenons Existing Debt and pay related fees and expenses, and (ii) Bianco Bidco, as lender, and Cordenons, as borrower, entered into the Cordenons Funding Loan, pursuant to which Bianco Bidco will lend and Cordenons will borrow a portion of the Cordenons Bridge Facilities to repay, no later than 180 days from the Cordenons Acquisition Closing Date, the Cordenons Existing Debt and pay related fees and expenses. See

“Summary—The Transactions,” “Description of Other Indebtedness—Bianco Funding Loan” and “Description of Other Indebtedness—Cordenons Funding Loan.”

THE OFFERING

The following summary of the Offering contains basic information about the New Notes, the Guarantees and the Collateral. 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 New Notes, the Guarantees and the Collateral including certain definitions of terms used in this summary, see "Description of the Notes."

Issuer	Fabric (BC) S.p.A., a società per azioni incorporated under the laws of Italy.
Notes Offered	€125.0 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2024 (the "New Notes") issued by the Issuer under the Existing Notes Indenture. The New Notes will form a single series with the Existing Notes for all purposes under the Existing Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase and are expected to be fungible for U.S. federal income tax purposes with the Existing Notes. The New Notes will have the same ISINs and common codes as the Existing Notes.
Issue Date	July 25, 2018 (the "New Notes Issue Date").
Issue Price	97.000%, plus an amount equivalent to interest that would have accrued on the New Notes if they had been issued on May 11, 2018.
Maturity Date	November 30, 2024.
Interest Rate	Three-month EURIBOR, plus 4 ⅛% per annum, reset quarterly.
Interest Payment Dates	Interest on the New Notes will be payable quarterly in arrears on each August 31, November 30, February 28 and May 31 of each year, commencing on the first interest payment date following the New Notes Issue Date. Interest on the New Notes will accrue from the New Notes Issue Date.
Form and Denomination	The Issuer will issue the New Notes on the New Notes 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. New Notes in denominations of less than €100,000 will not be available.
Ranking of the New Notes	The New Notes will: • be general, senior obligations of the Issuer; • be secured as set forth under "—Security"; • rank pari passu in right of payment to any existing and future senior indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Issuer's obligations under the Revolving Credit Facility Agreement;

- 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 or of subsidiaries of the Issuer that are secured by property or assets that do not secure the Notes, or that secures such other indebtedness on a super senior basis, to the extent of the value of the property and assets securing such other indebtedness or obligation;

- be, subject to certain agreed security principles, guaranteed on a joint and several basis by the Guarantors on a senior secured basis on the earlier of (i) the date on which the relevant Guarantor provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date; and

- be structurally subordinated to any existing or future indebtedness or obligations of subsidiaries of Fedrigoni MergerCo and any subsidiaries of Fedrigoni or Bianco Bidco that are not guarantors, including obligations owed to trade creditors and guarantees of the Revolving Credit Facility by subsidiaries of Fedrigoni MergerCo, Bianco Bidco or Fedrigoni that do not guarantee the Notes.

Guarantees .... The New Notes will be senior secured obligations of the Issuer, will rank senior in right of payment to all of the Issuer's future debt that is expressly subordinated in right of payment to the New Notes and will rank *pari passu* in right of payment with the Issuer's existing and future debt that is not so subordinated, including the Issuer's obligations under the Existing Notes and Revolving Credit Facility. Subject to the Agreed Security Principles, Arconvert S.A. and Bianco Bidco (the "Guarantors") will guarantee the New Notes on a senior secured, joint and several basis on the earlier of (i) the date on which the relevant Guarantor provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date. If the Fedrigoni Post-Completion Merger has not occurred by November 16, 2019, Fedrigoni is expected, subject to the Agreed Security Principles, to guarantee the New Notes on a senior secured and joint and several basis on the earlier of (i) the date on which Fedrigoni provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Cut-Off Date. Prior to the Fedrigoni Post-Completion Merger, the New Notes will be structurally subordinated to any existing or future indebtedness of Fedrigoni and its subsidiaries, and after the Fedrigoni Post-Completion Merger, the New Notes will be structurally subordinated to obligations of subsidiaries of Fedrigoni MergerCo that are not guarantors of the New Notes including obligations owed to trade creditors and depositors of such subsidiaries.

The obligations of the Guarantors and any future guarantors of the New Notes will be limited as described under the heading "*Description of the Notes—The Notes Guarantees*."

Each Guarantee will be subject to certain contractual and legal limitations. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*." By virtue of these limitations, a guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the New Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*." In addition, the Guarantees may be released under certain circumstances. See "*Description of the Notes—The Notes Guarantees—Notes Guarantees Release*."

As of and for the twelve months ended March 31, 2018, the Guarantors, together with Fedrigoni, collectively accounted for 62.4% of the consolidated total assets (after interdivision eliminations), 55.9% of the consolidated sales revenues (after interdivision eliminations) and 66.8% of the consolidated Adjusted EBITDA (before interdivision eliminations) of the Fedrigoni Group. Cordenons is expected to merge with Bianco Bidco in the Cordenons Post-Completion Merger.

Ranking of the Guarantees .... Each Guarantee will upon its issuance:

- be a senior obligation of each guarantor;
- be secured as set forth under "—Security";
- rank pari passu in right of payment with any existing and future indebtedness of such guarantor that is not expressly subordinated in right of payment to such Guarantee, including such guarantor's Guarantee of the Revolving Credit Facility;
- rank senior in right of payment to any existing and future indebtedness of such guarantor that is expressly subordinated to such Guarantee;
- be effectively subordinated to any existing or future indebtedness or obligation of such guarantor that is secured by property and assets that do not secure such Guarantee, or which secures such other indebtedness on a super senior basis, to the extent of the value of the property and assets securing such other indebtedness or obligation; and
- be structurally subordinated to any existing or future indebtedness or obligations of subsidiaries of such guarantor, in each case that are not guarantors, including obligations owed to trade creditors of such subsidiary.

Security .... On the New Notes Issue Date, the New Notes will, subject to certain agreed security principles and certain perfection requirements, be secured by the Issue Date Collateral (as defined herein). Subject to certain agreed security principles and certain perfection requirements, the collateral securing the New Notes (i) no later than ten Business Days from (and excluding) the New Notes Issue Date will consist of the Cordenons Issue Date Collateral A (as defined herein) and (ii) no later than 20 Business

Days from (and excluding) the New Notes Issue Date, will consist of the Cordenons Issue Date Collateral B (as defined herein). Subject to certain agreed security principles and certain perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from the day on which the Fedrigoni Post-Completion Merger becomes effective, will consist of the applicable Fedrigoni Post-Merger Collateral (as defined herein); or, no later than 20 Business Days following the Cut-off Date but before the Fedrigoni Post-Completion Merger becomes effective, the collateral securing the New Notes and the Guarantees (upon the granting thereof by the respective guarantors of the New Notes), will, subject to certain agreed security principles and certain perfection requirements, consist of the applicable Fedrigoni Post-Merger Collateral. Subject to certain agreed security principles and perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from the day on which the Cordenons Post-Completion Merger (as defined herein) becomes effective, will consist of the Cordenons Post-Completion Merger Collateral (as defined herein). Each of the Issue Date Collateral, the Cordenons Issue Date Collateral A, the Cordenons Issue Date Collateral B, the Fedrigoni Post-Merger Collateral and the Cordenons Post-Completion Merger Collateral is further described under "*Security*."

The Collateral will also secure the obligations of the Issuer and the Guarantors under the Revolving Credit Facility and certain hedging obligations. In the event of an enforcement in respect 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. In addition, the Revolving Credit Facility will also be secured by a special lien (*privilegio speciale*) over the movable assets of Fedrigoni MergerCo, and such lien shall not secure the Notes. See "*Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests—Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority over the Notes.*"

The security interests may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. In addition, the security interests in the Collateral may be released under certain circumstances. Subject to the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. For more information on the security interests granted, see "*Description of the Notes—Security*" and for more information on potential limitations to the security interests, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*" and "*Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests*."

Use of Proceeds .... The gross proceeds from the Offering, together with cash on hand at the Issuer, will be used to repay amounts outstanding under the Cordenons Bridge Facilities, including accrued interest thereon. The proceeds from the Cordenons Bridge Facilities, which were drawn on July 10, 2018, together with cash on hand, were or will be used to finance the Cordenons Acquisition (via the Bianco Funding Loan), to repay the Cordenons Existing Debt no later than 180 days from the Cordenons Acquisition Closing Date (via the Cordenons Funding Loan) and to pay fees and expenses in connection therewith. See "—*The Transactions*" and "*Use of Proceeds*."

Optional Redemption .... At any time prior to May 31, 2019, the Issuer may redeem all or part of the New Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "*make-whole*" premium, as described under "*Description of the Notes—Optional Redemption*."

The Issuer may redeem all or part of the New Notes at any time on or after May 31, 2019, at the relevant redemption prices described under "*Description of the Notes—Optional Redemption*."

As of the date of this Offering Memorandum, no such optional redemption has been made in respect of the Existing Notes.

Additional Amounts; Tax Redemption All payments made by the Issuer or any guarantor of the New Notes under or with respect to the New Notes or the Guarantees will be made without withholding or deduction for taxes or other governmental charges in any Relevant Taxing Jurisdiction (as defined in "*Description of the Notes—Withholding Taxes*"), except to the extent required by law. If withholding or deduction is required by law, the Issuer or the relevant guarantor of the New Notes will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction, subject to certain exceptions. See "*Description of the Notes—Withholding Taxes*."

If certain changes in the law of any Relevant Taxing Jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the New Notes, the Issuer may redeem the New Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."

Change of Control .... Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all outstanding New Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the purchase. See "*Description of the Notes—Change of Control*."

Tender Offers... In connection with certain tender offers for the New Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding New Notes validly tender and do not withdraw such New 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 New Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the New Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of New Notes. See "*Description of the Notes—Optional Redemption—General*."

Certain Covenants................................ The Existing Notes Indenture limits the ability of the Issuer to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends on, redeem or repurchase our capital stock;
- make certain restricted payments;
- make certain investments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- merge or consolidate with other entities, or make certain asset sales;
- enter into certain transactions with affiliates;
- impair the security interests for the benefit of the holders of the Notes; and
- guarantee certain indebtedness.

In addition, the Existing Notes Indenture limits the assets, liabilities and activities that may be undertaken of HoldCo.

Certain of the covenants and events of default will be suspended if and for so long as we achieve investment-grade ratings. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*."

Each of the covenants in the Existing Notes Indenture are subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*."

Transfer Restrictions........................... Neither the New Notes nor the Guarantees have been registered under the Securities Act or the securities laws of any other jurisdiction nor will they be so registered. The New Notes are subject to restrictions on transferability and resale. See "*Notice to Investors*." Holders of the New Notes will not have the benefit of any exchange or registration rights.

Listing.. Application has been made to list the New Notes on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin ("Euronext Dublin") and to admit them for trading on the Global Exchange Market thereof (the "Exchange"). There can be no assurance that such listing will be maintained.

Governing Law .... The New Notes, the Indenture and the Guarantees are or will be governed by New York law.

	The Intercreditor Agreement and the Revolving Credit Facility Agreement are governed by the laws of England and Wales. Each security document is governed by applicable local laws.
Trustee..	U.S. Bank Trustees Limited.
Security Agent......................................	BNP Paribas, Italian Branch.
Transfer Agent, Calculation Agent and Paying Agent..................................	Elavon Financial Services DAC, UK Branch.
Registrar..	Elavon Financial Services DAC.
Listing Agent...	Walkers Listing Services Limited.

SUMMARY HISTORICAL FINANCIAL AND OTHER INFORMATION

The following tables present the Fedrigoni Group's summary financial information and have been derived from, and should be read in conjunction with, the Financial Statements, which are included elsewhere in this Offering Memorandum, and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Financial Information," "Use of Proceeds" and "Capitalization." See also "Presentation of Financial and Other Information." The Financial Statements are presented in accordance with IFRS issued by the International Accounting Standards Board ("IASB"). The information below is not necessarily indicative of the results of future operations.

We have derived the summarized historical consolidated financial information and other data as of and for the years ended December 31, 2017, 2016 and 2015 from the audited consolidated financial statements of Fedrigoni as of and for each of the years ended December 31, 2017, 2016 and 2015, which are all prepared in accordance with IFRS and included elsewhere in this offering memorandum, unless otherwise stated. We have derived the historical consolidated financial information and other data as of and for the three month periods ended March 31, 2018 and 2017, from the unaudited condensed interim consolidated financial statements of Fedrigoni as of and for the three month period ended March 31, 2018, which are prepared in accordance with IAS 34 and included elsewhere in this offering memorandum, unless otherwise stated.

The unaudited historical financial information for the twelve months ended March 31, 2018 is calculated by adding the financial information for the year ended December 31, 2017 to the financial information for the three month period ended March 31, 2018, and subtracting the financial information for the three month period ended March 31, 2017. The results of operations for the twelve months ended March 31, 2018 have been prepared solely for the purposes of this offering memorandum and are for illustrative purposes only.

All historical financial information presented in this Offering Memorandum is that of Fedrigoni and its subsidiaries; accordingly, all references to "we," "us" or "our" in respect of historical financial information in this Offering Memorandum are to Fedrigoni and its subsidiaries on a consolidated basis, unless the context indicates otherwise. When the terms "we," "us" and "our" are used in this section, (i) when referring to operations, businesses or historical financial results, such terms refer to the Fedrigoni Group and (ii) when referring to the New Notes, indebtedness obligations or the Transactions, such terms refer to the Issuer or the Group, as applicable.

Results of operations for prior years or periods are not necessarily indicative of the results to be expected for the full year or any future period. Prospective investors should bear in mind that the performance indicators and ratios that we report herein, such as Adjusted EBITDA (as defined in this Offering Memorandum) and Pro Forma Adjusted EBITDA (as defined in this Offering Memorandum) are not financial measures defined in accordance with IFRS or U.S. GAAP and, as such, may be calculated by other companies using different methodologies and having different results. Therefore, these performance indicators and ratios are not directly comparable to similar figures and ratios reported by other companies.

Fedrigoni does not as a matter of course make public projections as to future sales, earnings, or other results. However, the management of Fedrigoni has made certain adjustments to certain measures below (described as run rate adjustments) to present the effect of planned actions on the future profitability of Fedrigoni and to reflect the impact of the Cordenons Acquisition; hereinafter described as pro forma financial information. The accompanying pro forma financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to pro forma financial information, but, in the view of Fedrigoni's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of Fedrigoni. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Offering Memorandum are cautioned not to place undue reliance on the pro forma financial information.

Neither Fedrigoni's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the pro forma financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the pro forma financial information.

Summary Consolidated Income Statement Information

(€ million)	Year ended December 31, 2015	2016	2017	Three Months ended March 31, 2017	2018	Twelve Months ended March 31, 2018
Sales revenues	**977.0**	**1,054.6**	**1,081.8**	**278.9**	**254.3**	**1,057.2**
Other operating income	16.9	9.4	26.7	2.2	1.8	26.3
Cost of materials	(528.0)	(549.4)	(587.0)	(146.7)	(144.7)	(585.0)
Cost of services	(199.0)	(216.3)	(214.3)	(55.4)	(51.2)	(210.1)
Cost of personnel	(136.5)	(148.1)	(152.8)	(38.1)	(37.3)	(152.0)
Other costs	(14.9)	(17.4)	(19.7)	(5.7)	(2.3)	(16.3)
Depreciation and amortization and impairment losses	(36.8)	(43.3)	(38.9)	(9.9)	(9.6)	(38.6)
Change in inventories of work in progress, semi-finished goods and finished products	5.7	6.3	5.8	(1.9)	7.8	15.5
Cost of capitalized in house work	0.5	0.3	0.8	0.1	0.5	1.2
Operating income	**84.9**	**96.2**	**102.4**	**23.5**	**19.3**	**98.2**
Financial income	16.9	17.2	13.0	5.4	3.9	11.5
Finance costs	(19.4)	(19.9)	(23.7)	(6.7)	(5.8)	(22.8)
Net financial income/(costs)	**(2.5)**	**(2.7)**	**(10.6)**	**(1.4)**	**(1.9)**	**(11.1)**
Share of profits of associates	0.4	0.1	0.0	0.0	0.0	0.0
Profit before taxes	**82.8**	**93.6**	**91.8**	**22.2**	**17.5**	**87.1**
Income taxes	(25.0)	(30.1)	(19.4)	(7.8)	(4.8)	(16.4)
Net profit	**57.8**	**63.5**	**72.3**	**14.3**	**12.7**	**70.7**

Summary Consolidated Statement of Financial Position

(€ million)	As of December 31, 2015	2016	2017	As of March 31, 2018
Non-current assets				
Property, plant and equipment	300.9	312.6	315.6	313.2
Intangible assets	64.7	68.9	56.8	54.3
Investment property	1.0	0.5	0.5	0.5
Equity-accounted investments in associates	2.1	2.3	2.3	2.3
Tax credits	3.8	3.7	1.5	1.5
Deferred tax assets	18.1	22.9	26.8	26.3
Financial assets	—	0.1	—	—
Other non-current assets	3.9	5.0	12.1	11.9
Total non-current assets	**394.5**	**415.9**	**415.5**	**409.9**
Current assets				
Inventories	186.5	197.7	198.2	210.6
Trade receivables	253.4	248.7	246.6	245.3
Tax credits	2.9	0.8	1.0	1.0
Financial assets	5.6	4.4	24.1	3.0
Other current assets	20.5	19.2	15.5	22.9
Cash and cash equivalents	30.7	34.1	44.7	35.8
Derivatives	0.8	1.6	0.1	0.3
Total current assets	**500.3**	**506.6**	**530.2**	**519.0**
Non-current assets held for sale	—	—	8.8	8.8
Total assets	**894.8**	**922.5**	**954.6**	**937.7**
Equity				
Share capital	40.0	40.0	40.0	40.0
Reserves and retained earnings	319.7	381.0	404.8	414.2

(€ million)	As of December 31, 2015	2016	2017	As of March 31, 2018
Equity attributable to owners of the parent	**359.7**	**421.0**	**444.8**	**454.2**
Total equity	**359.7**	**421.0**	**444.8**	**454.2**
Non-current liabilities				
Due to banks and other lenders	110.2	83.9	59.5	53.4
Employee benefits	18.9	19.2	18.0	17.7
Provisions for risks and charges	12.1	21.5	30.8	30.4
Deferred tax liabilities	23.8	24.3	21.6	21.4
Other non-current liabilities	1.3	2.7	2.0	1.8
Total non-current liabilities	**166.3**	**151.7**	**131.9**	**124.7**
Current liabilities				
Due to banks and other lenders	105.2	84.8	102.8	63.6
Trade payables	223.0	211.3	221.8	224.8
Current tax liabilities	1.0	12.0	4.8	8.8
Other current liabilities	39.6	41.3	47.2	60.7
Derivatives	0.0	0.4	0.5	0.2
Total current liabilities	**368.8**	**349.8**	**377.2**	**358.1**
Liabilities associated with assets held for sale	—	—	0.7	0.7
Total liabilities	**535.1**	**501.5**	**509.8**	**483.5**
Total equity and liabilities	**894.8**	**922.5**	**954.6**	**937.7**

Summary Consolidated Cash Flow Statement Information

(€ million)	Year ended December 31, 2015	2016	2017	Three Months ended March 31, 2017	2018
Cash from operating activities	67.3	116.8	106.4	31.1	45.1
Cash from investing activities	(152.1)	(41.4)	(53.2)	(7.6)	(7.5)
Cash from financing activities	103.1	(73.2)	(40.3)	(25.1)	(46.2)
Increase/(decrease) in cash and cash equivalents	**18.2**	**2.2**	**12.9**	**(1.6)**	**(8.5)**
Cash and cash equivalents at beginning of period	13.4	30.7	34.1	34.1	44.7
Effects of exchange rate changes on the balance of cash holdings in foreign currencies	(0.9)	1.2	(2.2)	(0.1)	(0.3)
Cash and cash equivalents at end of period	**30.7**	**34.1**	**44.7**	**32.4**	**35.8**

Other Financial Information, Segment and Geographic and Operating Data

Other Financial Information

(€ million, except for percentages and ratios)	Year ended December 31, 2015	2016	2017	Three Months ended March 31, 2017	2018	Twelve Months ended March 31, 2018
Sales revenues	977.0	1,054.6	1,081.8	278.9	254.3	1,057.2
Adjusted EBITDA(1)	120.6	140.8	134.4	33.5	29.0	129.9
Adjusted EBITDA Margin(2)	12.3%	13.4%	12.4%	12.0%	11.4%	12.3%
Normalized Capital Expenditures(3)	21.7	21.4	21.9	4.5	3.1	20.5
Adjusted Operating Cash Flow(4)	79.1	107.7	94.4	22.2	41.2	113.4
Adjusted Cash Conversion(5)	65.6%	76.5%	70.2%	66.3%	142.4%	87.3%
Adjusted Sales Revenues(6)						1,078.2
Pro Forma Adjusted EBITDA(1)						142.7
Pro Forma Adjusted EBITDA Margin(2)						13.2%
Pro Forma Net Financial Debt(7)						567.5
Pro Forma Cash Interest Expense(8)						24.7
Ratio of Pro Forma Net Financial Debt to Pro Forma Adjusted EBITDA						3.98x
Ratio of Pro Forma Adjusted EBITDA to Pro Forma Cash Interest Expense						577x

(1) We define Adjusted EBITDA as net profit before depreciation, amortization and impairment losses, income taxes, finance costs, finance income and certain income and costs that management considers non-recurring. We define Pro Forma Adjusted EBITDA as Adjusted EBITDA, adjusted for certain specified items as set forth below.

Set forth below is a reconciliation of our net profit to Adjusted EBITDA and Pro Forma Adjusted EBITDA, respectively, for the periods indicated:

(€ million)	Year ended December 31, 2015	2016	2017	Three Months ended March 31, 2017	2018	Twelve Months ended March 31, 2018
Net profit	57.8	63.5	72.3	14.3	12.7	70.7
Depreciation, amortization and impairment losses	36.8	43.3	38.9	9.9	9.6	38.6
Income taxes	25.0	30.1	19.4	7.8	4.8	16.4
Finance costs	19.4	19.9	23.7	6.7	5.8	22.8
Income from equity-accounted investments in associates	(0.4)	(0.1)	0.0	0.0	0.0	0.0
Finance income	(16.9)	(17.2)	(13.0)	(5.4)	(3.9)	(11.5)
Non-recurring income and costs(A)	(1.1)	1.3	(6.9)	0.0	0.0	(6.9)
Adjusted EBITDA	**120.6**	**140.8**	**134.4**	**33.5**	**29.0**	**129.9**
Accounting adjustments(B)						(8.8)
Normalization adjustments(C)						2.6
Estimated impact of volume reduction in the Security Business Line(D)						(19.5)
Run rate costs savings(E)						18.0
Cordenons Acquisition adjustment(F)						14.6
Run rate costs savings related to the Cordenons Acquisition(G)						5.9
Pro Forma Adjusted EBITDA						**142.7**

(A) Represents adjustments related to the following items: (i) in respect of the year ended December 31, 2017, €13.1 million of income from insurance reimbursements, €2.0 million of income from the cancellation of energy charges for energy generated and used internally, €6.5 million of other non-recurring costs related to the devaluation of stock purchased to fulfill certain orders that were later cancelled in the Security Business Line and €1.7 million related to expenses associated with the 2016 earthquake in Pioraco, Italy; (ii) in respect of the year ended December 31, 2016, €1.4 million of expenses associated with the earthquake, €1.9 million of contingent losses and unrealized income from the sales of white certificates and €2.0 million of income from insurance reimbursements; and (iii) in respect of the year ended December 31, 2015, €2.4 million of expenses as a result of a fire at one of our operating facilities, €4.7 million of contingent losses and unrealized income from the sales of white certificates and €8.2 million of income from fire insurance reimbursements.

(B) Represents accounting adjustments related to losses in connection with fluctuations in exchange rates in an amount of €7.6 million and to the capitalization of internal personnel costs in an amount of €1.2 million.

(C) Represents run rate adjustments in relation to workforce rationalization in an amount of €0.7 million and extraordinary accruals for risk provisions in relation to environmental, litigation and other risks in an amount of €1.9 million in the twelve months ended March 31, 2018.

(D) Represents the run rate effect on Adjusted EBITDA from the loss of a tender and a customer's decision to reduce volumes in the Security Business Line.

(E) Represents the estimated run rate effect on Adjusted EBITDA of cost savings that we expect to realize from (i) estimated annualized run rate procurement savings of approximately €14.7 million per year arising from planned improvements to the Fedrigoni Group's procurement functions, (ii) estimated annualized run rate cost savings of approximately €2.0 million per year arising from cost savings in relation to workforce rationalization at certain sites and (iii) estimated annualized run rate cost savings of approximately €3.3 million per year arising from savings in relation to replacing the board of directors of Fedrigoni. We estimate that we will incur upfront costs of approximately €2.0 million to achieve these cost savings, which are net against cost savings for the purpose of this presentation. See "Risk Factors—Risks Related to the Transactions."

(F) Represents (i) the €14.8 million run rate adjusted EBITDA contribution of the Cordenons Acquisition, as if Cordenons had been acquired on April 1, 2017, (ii) Cordenons' management accounting adjustments related to losses in connection with fluctuations in exchange rates in an amount of €0.2 million, and to ordinary bank services connected to bank accounts and financing in an amount of €0.2 million in the twelve months ended March 31, 2018, and (iii) Cordenons' management adjustments in relation to normalization of bad debt accruals (normalized based on the historical utilizations of the bad debt provision over the last five years) and normalization of slow moving and obsolescence accruals (normalized based on the historical average of accrual/utilization of the slow moving and obsolescence provision over the last five years) in an amount of €0.2 million in the twelve months ended March 31, 2018.

(G) Represents the estimated run rate effect on Adjusted EBITDA of cost savings that we expect to realize from (i) estimated annualized run rate cost savings of approximately €3.5 million per year arising from cost savings related to a planned reorganization of Cordenons' internal functions to maximize efficiency by reducing overlaps in sales, marketing and general and administrative departments, (ii) estimated annualized run rate cost savings of approximately €0.7 million per year arising from a new cogeneration turbine, which is currently being installed at one of the Cordenons' production facilities, which will result in energy savings, (iii) estimated annualized run rate cost savings of approximately €1.3 million per year arising from the shift of pulp purchases to Fedrigoni, which will result in scale benefits resulting in estimated cost savings of approximately 6.8% of overall costs for Cordenons and (iv) estimated annualized run rate cost savings of approximately €0.4 million per year arising from the shift of other raw materials purchases (e.g., cotton, coatings and dyes) to Fedrigoni, which will result in scale benefits similar to those for pulp purchases. See "Risk Factors—Risks Related to the Transactions."

(2) Adjusted EBITDA Margin represents Adjusted EBITDA divided by sales revenues for the periods presented. Pro Forma Adjusted EBITDA Margin is defined as Pro Forma Adjusted EBITDA divided by Adjusted Sales Revenues for the periods presented.

(3) Normalized Capital Expenditures is defined as investments in intangible assets and property, plant and equipment, net of disposals of property, plant and equipment and intangible assets and excluding Extraordinary Capital Expenditures. The table below sets forth the calculation of Normalized Capital Expenditures:

	Year ended December 31,			**Three Months ended March 31,**		**Twelve Months ended March 31,**
(€ million)	**2015**	**2016**	**2017**	**2017**	**2018**	**2018**
Investments in intangible assets	0.9	1.9	1.1	0.4	0.1	0.8
Investments in property, plant and equipment	32.6	42.5	53.4	7.8	7.9	53.5
Disposals of property, plant and equipment and intangible assets	(1.9)	(1.1)	(0.3)	0.0	0.0	(0.3)
Extraordinary Capital Expenditures[(A)]	(9.8)	(21.9)	(32.3)	(3.7)	(4.9)	(33.5)
Normalized Capital Expenditures	**21.7**	**21.4**	**21.9**	**4.5**	**3.1**	**20.5**

(A) Represents capital expenditures related to (i) investments made in 2017 and 2018 in relation to the reconstruction of the production facility located in Pioraco, Italy, following the 2016 earthquake, (ii) investments in GPA Holding Company Inc. in 2015, 2016, 2017 and 2018, (iii) investments in Fedrigoni Brasil Papéis Ltda in 2015, 2016, 2017 and 2018 and (iv) investments made following a fire at our production facility in Verona, Italy in 2015.

(4) Adjusted Operating Cash Flow represents cash generated from operations before income taxes paid subject to the following adjustments, including for Normalized Capital Expenditures. The following table shows a reconciliation of Adjusted Operating Cash Flow to cash generated from operating activities before income taxes paid for the periods presented:

	Year ended December 31,			Three Months ended March 31,		Twelve Months ended March 31,
(€ million)	**2015**	**2016**	**2017**	**2017**	**2018**	**2018**
Cash generated from operations before income taxes paid[(A)]	105.2	140.4	138.8	31.7	45.4	152.5
Charges to risk provisions	(1.4)	(9.5)	(13.8)	(4.5)	(0.7)	(10.0)
Charges to provision for doubtful debts	(2.3)	(3.2)	(1.8)	(0.5)	(0.3)	(1.6)
Income from equity-accounted investments in associates	0.4	0.1	0.0	0.0	0.0	0.0
Non-recurring income and costs[(B)]	(1.1)	1.3	(6.9)	0.0	0.0	(6.9)
Normalized Capital Expenditures	(21.7)	(21.4)	(21.9)	(4.5)	(3.1)	(20.5)
Adjusted Operating Cash Flow	**79.1**	**107.7**	**94.4**	**22.2**	**41.2**	**113.4**

(A) Cash generated from operations before income taxes paid for the three months ended March 31, 2018, includes €21.1 million from the repayment prior to March 31, 2018 by the Fedrigoni Seller of a loan from Fedrigoni.

(B) Represents the adjustments to net profit described in (A) of footnote (1) above.

(5) Adjusted Cash Conversion represents Adjusted Operating Cash Flow divided by Adjusted EBITDA for the periods presented.

(6) Adjusted Sales Revenues represents sales revenues adjusted to exclude the estimated €67.0 million impact on revenues from the loss of a tender and a customer's decision to reduce volumes in the Security Business Line for the twelve months ended March 31, 2018, plus estimated net sales generated by Cordenons for the twelve months ended March 31, 2018 in an amount of €88.1 million.

(7) Pro Forma Net Financial Debt represents non-current liabilities due to banks and other lenders plus current liabilities due to banks and other lenders, minus cash and cash equivalents, on an as adjusted basis after giving effect to the Transactions as if they had occurred on March 31, 2018. See "Capitalization." Pro Forma Net Financial Debt excludes obligations under the Fedrigoni Group's off-balance sheet exchange rate and guarantee arrangements.

(8) Pro Forma Cash Interest Expense represents the estimated cash interest expense of the Issuer on an as adjusted basis for the twelve months ended March 31, 2018, after giving pro forma effect to the Transactions as if they had occurred on April 1, 2017. Pro Forma Cash Interest Expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would actually have been had the Transactions occurred on April 1, 2017, nor does it purport to project our interest expense for any future period or our financial position at any future date. Pro Forma Cash Interest Expense reflects an issue price of 97% and includes an original issue discount.

Other Segment, Geographic and Operating Data

Revenue by Operating Segment

	Year ended December 31,			Three Months ended March 31,		Twelve Months ended March 31,
(€ million, other than percentages)	**2015**	**2016**	**2017**	**2017**	**2018**	**2018**
Paper and Security Segment	**703.5**	**763.8**	**760.0**	**200.7**	**163.2**	**722.5**
Paper Business Line	***556.8***	***572.3***	***561.6***	***143.4***	***139.5***	***557.7***
thereof: Specialty Paper	258.8	272.6	279.7	69.0	66.1	276.9
thereof: Specialty Graphic Paper	220.2	230.1	235.2	59.7	57.5	233.0
thereof: Drawing/Art Paper	32.2	34.8	36.5	7.5	6.8	35.8
thereof: Other Products	6.4	7.7	8.0	1.7	1.8	8.1
thereof: Commodity Paper	297.9	299.8	281.9	74.6	73.4	280.8
thereof: Uncoated and Coated Paper	172.1	176.9	163.6	44.4	43.6	162.9
thereof: Office Paper	125.8	122.9	118.3	30.1	29.8	117.9
Security Business Line	***146.7***	***191.5***	***198.4***	***57.3***	***23.7***	***164.8***
thereof: Banknotes	114.7	127.1	120.3	32.2	13.2	101.4

(€ million, other than percentages)	Year ended December 31, 2015	2016	2017	Three Months ended March 31, 2017	2018	Twelve Months ended March 31, 2018
thereof: Security Paper	21.1	28.7	30.5	10.1	8.2	28.5
thereof: Security Features	10.9	35.7	47.6	15.1	2.3	34.9
Converting Segment	**299.5**	**329.0**	**350.6**	**89.8**	**99.5**	**360.3**
thereof: Wine Labels	62.1	74.7	81.8	23.2	25.4	84.0
thereof: Ad Hoc Film......................	48.4	57.8	69.0	15.7	18.1	71.2
thereof: Ad Hoc Paper	172.4	179.4	182.5	46.7	51.0	186.7
thereof: Other Products...................	16.6	17.2	17.2	4.2	4.9	18.4
Interdivision eliminations	**(26.0)**	**(38.2)**	**(28.9)**	**(11.5)**	**(8.4)**	**(25.8)**
Total Sales Revenues[(1)]	**977.0**	**1,054.6**	**1,081.8**	**278.9**	**254.3**	**1,057.2**

(1) Sales revenues by segment, business line and products include interdivision sales, which are eliminated from total sales revenues.

Revenue by Geography

(€ million)	Year ended December 31, 2015	2016	2017	Three Months ended March 31, 2017	2018	Twelve Months ended March 31, 2018
Sales revenues	**977.0**	**1,054.6**	**1,081.8**	**278.9**	**254.3**	**1,057.2**
thereof: Italy.................................	326.5	315.0	327.7	85.1	77.9	320.5
thereof: Rest of Europe	370.8	394.4	411.7	109.1	106.1	408.7
thereof: Rest of World	279.7	345.3	342.3	84.8	70.3	327.8

Other Operating Data by Segment and Business Line

	Year ended December 31, 2015	2016	2017	Three Months ended March 31, 2017	2018	Twelve Months ended March 31, 2018
Volumes ('000s tons)[(1)]	**553**	**570**	**563**	**145**	**143**	**561**
thereof: Paper Business Line...........	434	443	429	113	107	423
thereof: Security Business Line	16	21	17	5	3	15
thereof: Converting Segment	116	123	129	32	37	134
Average Selling Price[(2)]	**1,767**	**1,848**	**1,921**	**1,918**	**1,777**	**1,885**
thereof: Paper Business Line...........	1,286	1,263	1,309	1,268	1,308	1,320
thereof: Security Business Line	9,297	9,336	11,339	11,723	8,800	10,770
thereof: Converting Segment	2,569	2,678	2,706	2,772	2,672	2,681

(1) Volumes refers to total tons of paper sold during each period. Volumes by segment and business line include interdivision sales.

(2) Average selling price refers to total revenue by operating segment for each business line divided by total tons of paper sold during each period. Average selling price by segment and business line include interdivision sales.

(€ million, unless otherwise stated)	Year ended December 31,			Three Months ended March 31,		Twelve Months ended March 31,
	2015	2016	2017	2017	2018	2018
Adjusted EBITDA	**120.6**	**140.8**	**134.4**	**33.5**	**29.0**	**129.9**
thereof: Paper and Security Segment.....................................	88.6	107.9	105.8	25.2	20.0	100.6
thereof: Converting Segment	34.1	34.9	30.5	9.1	10.0	31.4
Adjusted EBITDA Margin(1)	**12.3%**	**13.4%**	**12.4%**	**12.0%**	**11.4%**	**12.3%**
thereof: Paper and Security Segment.....................................	12.6%	14.1%	13.9%	12.6%	12.3%	13.6%
thereof: Converting Segment	11.4%	10.6%	8.7%	10.1%	10.1%	8.7%
Adjusted Gross Profit(2)	**343.1**	**389.1**	**393.2**	**102.9**	**86.6**	**376.9**
thereof: Paper and Security Segment.....................................	260.6	301.7	304.5	79.0	61.9	287.4
thereof: Commodity Paper(3)..	65.2	77.4	72.2	19.3	17.4	68.2
thereof: Converting Segment	82.5	87.4	88.7	23.8	24.7	89.6
Adjusted Gross Margin(2)	**35.1 %**	**36.9%**	**36.3%**	**36.9%**	**34.1%**	**35.7%**
thereof: Paper and Security Segment.....................................	37.0%	39.5%	40.1%	39.4%	37.9%	39.8%
thereof: Commodity Paper(3)..	21.9%	25.8%	25.6%	25.9%	23.8%	24.3%
thereof: Converting Segment	27.5%	26.6%	25.3%	26.5%	24.8%	24.9%

(1) Adjusted EBITDA Margin represents Adjusted EBITDA for such period, divided by sales revenues for such period. Segment totals do not include certain unallocated Fedrigoni Group costs.

(2) Adjusted Gross Profit is derived by subtracting certain variable costs from sales revenues. Adjusted Gross Margin is derived by dividing Adjusted Gross Profit by the applicable sales revenues. Adjusted Gross Profit and Adjusted Gross Margin by segment and business line include interdivision sales. Adjusted Gross Profit and Adjusted Gross Margin are not financial measures recognized by IFRS or any other generally accepted accounting principles. Such measures are calculated and tracked by management solely for internal planning and management purposes and should not be used in substitution for measures of profit under IFRS.

(3) Commodity Paper includes uncoated and coated paper and office paper products.

RISK FACTORS

An investment in the New Notes involves a high degree of risk. Prospective investors in the New 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 New Notes. Any of the following risks, individually or together, could adversely affect our business, financial position, results of operations and prospects, and accordingly the value of the New Notes. This section describes the risks and uncertainties that we believe are material, but these risks and uncertainties may not be the only ones that we face. Additional risks and uncertainties, including those of which we are currently unaware or those which we deem 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 New Notes, or which could have a material adverse effect on our business, financial position, results of operations and prospects. 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 our business, financial position, results of operations and prospects or on the trading price of the New Notes. When the terms "we," "us" and "our" are used in this section, such terms refer to the Group.

Risks Related to Our Industry

Changes in the costs or availability of raw materials and energy could adversely affect our business.

The Fedrigoni Group's main raw materials include fibrous raw materials (pulp and cotton waste), natural gas, mineral coatings (calcium carbonate and kaolin) and chemical products (latexes, starches, glues and colors). The cost of raw materials amounted to 55.3% of sales revenues in the twelve months ended March 31, 2018 and 54.3%, 52.1% and 54.0% of sales revenues in the years ended December 31, 2017, 2016 and 2015, respectively. Cordenons' main raw materials include pulp, other raw materials (e.g., chemicals, dryers and filters) and natural gas, which amounted to approximately 22%, 12% and 4% of Cordenons' gross sales in the year ended December 31 2017. The price and availability of any of these materials may fluctuate significantly depending on a variety of factors, including business cycles in the relevant markets, supply conditions, government regulations, natural disasters and other factors that are difficult to predict and beyond our control. We generally do not enter into derivative transactions (or other hedging transactions) to hedge the risk related to the fluctuation in the cost of the principal raw materials.

The price of pulp, which is the principal raw material the Fedrigoni Group uses in paper production (29.0% of the cost of raw materials in the twelve months ended March 31, 2018) and the principal raw material Cordenons uses, and which the Fedrigoni Group or Cordenons do not produce internally, depends on a wide range of factors which are beyond our control and are difficult to predict. For example, the price of pulp decreased in early 2014 due to weakness in demand before stabilizing during the third quarter of 2014. During the last quarter of 2014 and 2015, prices began increasing again as a result of low customer inventories and increased demand for pulp. In late 2015, prices began to decrease due to ongoing pulp capacity increases, particularly in Latin America, and lower demand. In 2016, the price of pulp fell by more than 10%, mainly due to a good supply of short fiber in the market driven by new production capacity in Latin America and Asia. During the same period, the prices of long fiber remained on a more stable trend, although prices increased near the end of the year mainly on account of high Asian demand against a backdrop of substantially unchanged supply. In 2017, pulp prices substantially increased primarily due to offline periods at various pulp plants, high pulp demand from emerging countries and depleting forest resources. In particular, the price of long fiber increased by approximately 9.8% and the price of short fiber increased by approximately 6.0% in the three months ended March 31, 2018 compared to the year ended December 31, 2017.

Our Group's earnings depend in part on the prices of raw materials, and our margins are principally dependent on managing our cost structure and changes in raw material prices. Cost of materials, which mainly includes raw materials costs, amounted to €585.0 million, or 55.3% of Fedrigoni Group's sales revenues, in the twelve months ended March 31, 2018. Even though, historically, the Fedrigoni Group has often been able to pass part of raw material cost increases to customers for specialty paper and converting products, if prices of raw materials increase, it remains exposed to margin compression for commodity products and it may be unable (wholly or partly) to transfer these increased costs to its customers through price adjustments, or if there is a time-lag in adjusting prices, this could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We operate in highly competitive markets, which could negatively impact our results of operations and financial condition.

The various market segments in which we operate have specific characteristics and dynamics. Fedrigoni Group's main competitors in the specialty paper market are paper manufacturers with a diversified product portfolio, which invest selectively in small specialty paper machines (e.g., Sequana and Favini in Europe and Fabrica de Papel San Jose and Multivende in Latin America). The commodity paper market is characterized by a high level of competition from large international groups, some of which have a production scale and financial resources superior to those of our Group. The market for security products is characterized by a limited number of businesses, both state-owned and private, which have the specialized technical know-how to make sophisticated, technologically advanced products. Fedrigoni Group's main competitors in the Security Business Line are De La Rue, J. Vilaseca, Drewsen, Louisenthal, Goznak, Arjowiggins, Crane, Oberthur Fiduciaire, Landqart and Europafi. Finally, the market for self-adhesive products, which are the core products in Fedrigoni Group's Converting Segment is characterized by a limited number of large competitors, generally divisions within large international groups, some of which have production scale and financial resources superior to those of our Group and are capable of sustaining the investments required to acquire and develop the production facilities necessary in this sector. Fedrigoni Group's main competitors in the Converting Segment are Avery Dennison and UPM.

Our competitive position in the various markets is influenced by a variety of factors, including:

- our ability to establish and maintain long-term relationships with our customers;
- the quality, breadth and innovation of our product range, and our ability to reduce production costs by achieving high standards of efficiency and production;
- the flexibility and efficiency of our production processes;
- the efficiency of our distribution network;
- our ability to maintain plant efficiencies and high operating rates and thus lower our average manufacturing costs per ton;
- customer service and our ability to distribute our products on time;
- our ability to provide tailor-made or customized products;
- research and development activities to maintain our ability to offer innovative new products that anticipate market trends;
- brand identity and recognition; and
- the cost of energy and raw materials as well as the quality and availability of raw materials.

If we fail to compete effectively in our chosen markets, including through a failure to adapt to industry trends, sustain the investments necessary to compete effectively, or properly manage our approach to the above factors, this could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

If we are unable to anticipate and develop new products, enhance existing products and keep pace with rapid technological changes, our business will be adversely affected.

The industry in which we operate is characterized by rapid technological change, evolving industry standards, changing customer preferences and new product and service introductions. See "—Change in consumer preferences and the increasing digitalization of data transmission and storage could adversely affect us." For example, the banknote paper production is characterized by rapid technological developments and by the need to offer customers advanced technical solutions, especially with respect to anti-counterfeiting elements, such as watermarks, security threads, holograms and other security items. We believe that new technologies or novel processes may emerge and that existing technologies may be further developed in the fields in which we operate, both of which could impact production methods or product quality. Unexpected rapid changes in employed technologies or the development of novel processes that affect our operations and product range could render the technologies we utilize or the products we produce obsolete or less competitive in the future. We have historically invested in research and development to anticipate and develop new products and keep pace with technological innovations. For example, the Fedrigoni Group has recently developed an innovative grease-proof technology, which we expect to find applications for particularly in the food and beverage, olive oil and cosmetics markets. However, if we are unable to successfully anticipate technological developments, we may be forced to implement these new technologies at a substantial cost. Any such development could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Change in consumer preferences and the increasing digitalization of data transmission and storage could adversely affect us.

The demand for the products we sell is subject to changing consumer preferences. Consumer preferences for the products we offer might diminish due to the ever-increasing availability of alternatives and/or cheaper products, or as a consequence of the increasing focus on environmental issues or technological change. Our ability to continue to meet the shifting demands of paper consumers depends upon a variety of factors, including our ability to foresee or identify changes in consumer preferences. Some of the most significant changes in consumer preferences include interest in environmentally friendly products, such as recyclable and biodegradable paper (whose use is encouraged by regulatory authorities), and the use of e-mail and electronic media instead of paper. The widespread availability of electronic media and the Internet and the trend towards ever greater use of computers may reduce the demand for paper and generally have a significant adverse impact on future paper consumption patterns. In the past ten years, customer practices and preferences have changed at an accelerating pace, also due to the availability of digital technologies, causing a significant decrease in demand for paper products in various market segments. Although it is not possible to predict the pace and intensity of these developments and their impact on our Group, it can reasonably be expected that the digitalization process will continue, and will result in a further decline in the market for paper-based products.

Fedrigoni Group’s Security Business Line may also continue to be negatively affected by digitalization and, particularly, by the increasing use of electronic payments and credit cards. It is reasonable to assume that the process of digitalization will cause a further decline in the production of paper-based products and that the development of digital payments will negatively affect the production of Fedrigoni Group’s Security Business Line products.

Any of these events could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

An increased use of polymer banknotes could adversely affect Fedrigoni Group’s Security Business Line.

Fedrigoni Group’s Security Business Line could be negatively affected by an increased use of polymer banknotes. While some central banks, including the European Central Bank, have declined to use polymer banknotes in the past, they may change their practices in the future and switch from paper to polymer banknotes (such as in the case of the Bank of England, which already started issuing £5 and £10 polymer banknotes and announced its decision to issue £20 polymer banknotes in 2020). As of March 31, 2018, Fedrigoni Group’s banknote paper production accounted for more than 61% of the Security Business Line in terms of sales revenues and volume. As a consequence, an increased use of polymer banknotes could have a material adverse effect on the Security Business Line and, more generally, on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Global economic conditions and political events could adversely affect our business, results of operations and financial condition.

Our business may be affected by a number of factors that are beyond our control, such as general macroeconomic conditions, conditions in the global capital and credit markets, geopolitical conditions and other general political and economic developments. Volatility in the financial markets, including in the capital and credit markets, the European sovereign debt crisis, Eurozone exits and any economic slowdown or uncertainty in the markets in which we operate, in particular in Italy, Spain, other members state of the European Union and the United States, could have a negative effect on our business. For example, one of Fedrigoni Group’s main wine labels markets in the Converting Segment, Spain, is experiencing a period of political uncertainty, following the recent declaration of independence proclaimed by the Catalan regional parliament on October 27, 2017, which was suspended by the Constitutional Court of Spain on October 31, 2017 and resulted in the election of a new prime minister. Recent actions carried out by the Spanish government have helped diminish the level of uncertainty in the region resulting from its pro-independence movement but there is still uncertainty regarding the outcome of political and social tensions in Catalonia, which could result in volatile capital markets or otherwise adversely affect financing conditions in Spain or the environment in which we operate in Spain, any of which could have a material adverse effect on our business prospects, financial condition and results of operations.

Furthermore, adverse market conditions outside of Europe could impact global economic conditions. For example, the Chinese economy, which was previously particularly resilient to adverse developments in other countries, has slowed significantly in recent years. The growth of the Chinese economy may further decelerate or reverse into a recession which could in turn adversely affect the global economy. Any of these developments may adversely affect financial markets and, therefore, our ability to finance our operations. A shortage of liquidity and credit could trigger a worldwide economic recession, which could be exacerbated by adverse developments in global or national political and macroeconomic conditions. Any deterioration in financial markets could impair our ability to obtain financing in the future, including our ability to incur additional indebtedness, including indebtedness to refinance the Notes.

If adverse economic conditions continue, worsen or recur in one or more geographical areas where we operate, this could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

The result of the United Kingdom's withdrawal from the European Union may have a negative effect on our business.

The United Kingdom's initiation of the process to withdraw from the European Union pursuant to Article 50 of the Treaty on European Union following the national referendum in June 2016 ("Brexit") has created significant uncertainty about the future relationship among the United Kingdom, one of our current markets, the EU and its remaining member states and may constitute an additional risk for the financial markets and the European economy. Possible negative outcomes resulting from Brexit include significantly disrupted trade between the United Kingdom and the EU, political and economic instability in other countries of the EU, as well as instability in the global financial and foreign exchange markets, including volatility in the value of the euro and the British pound sterling. The depreciation of the British pound sterling against the euro has caused, and may continue to cause, an increase in the price of consumer goods in the UK that are sourced from the EU. As a result, Brexit has affected and may continue to affect Fedrigoni Group's level of sales in the United Kingdom (which accounted for €23.1 million, or 2.2% of its sales revenues in the twelve months ended March 31, 2018) as well as the level of sales of Cordenons, whose increase of gross sales in the year ended December 31, 2017, was mainly driven by the business expansion in the United Kingdom. It is unclear what financial, trade and legal implications Brexit will have and whether, and to what extent, our business may continue to be affected. Brexit could have a material adverse effect on our business, financial condition and results of operations. In addition, the Scottish regional government is actively considering a second referendum on Scottish independence from the United Kingdom which may lead to additional uncertainty and may affect our business activities in Scotland and other parts of the United Kingdom. These and similar events could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Business

If we encounter problems manufacturing products or cease to manufacture products, our business could suffer.

Our production primarily uses a "continuous cycle" process, meaning that we aim to operate our production machinery continuously in an effort to increase efficiency and offset the significant fixed costs associated with manufacturing. Any unplanned downtime at any of our production facilities results in unabsorbed fixed costs that negatively affect our results of operations. We are therefore exposed to risks deriving from malfunctions and/or unplanned interruptions of production at one or more of our production facilities as a result of events beyond our control. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, revocation of (or disputes relating to) permits or licenses issued by public authorities, strikes or labor shortages, problems with raw materials, energy and environmental factors. If problems are severe, we may be forced to temporarily suspend all or part of our production until the problems are rectified.

Although we believe that we have adopted and maintain adequate safety precautions, if one or more of our production facilities were to suffer a serious accident, breakdowns, equipment malfunction or other unexpected events, a part of our production capacity could be jeopardized and our sales revenues and net profit would be materially adversely affected until we repair or find a replacement for any such facility or machinery. For example, in 2015, there was a fire at Fedrigoni Group's production facility in Verona, Italy, which resulted in the disruption of its local operations, including the temporary disruption of the production facility's paper production, for several months. In 2016, there was an earthquake that caused the shutdown of its production facility located in Pioraco, Italy, which also caused damages and disruption to its business. Such events could result in delayed delivery timetables and additional costs to us and, while we maintain insurance to cover property and other asset damages, depending on the risk and type of asset or property insured, any losses related to a serious accident, equipment malfunction or other unexpected events could exceed the amount of this coverage. In addition, the refurbishment or reconstruction of any of our production facilities or the construction of new facilities could be subject to regulatory approval by the relevant health authorities of the jurisdictions in which they are located as well as the health authorities of some or all of the jurisdictions to which products from such production facilities are exported, which could result in significant delays in the resumption of product manufacturing. If any of the above were to occur, it could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We have obtained the necessary certifications (e.g., ISO 9001/14001 and OHSAS 18001) and authorizations (Integrated Environmental Authorization and Authorization to Emit Greenhouse Gases) with respect to our Italian production facilities, whose release is subject to the compliance with the relevant Italian legislation. However, if a regulatory authority does not approve a facility for the manufacturing of our products or if it withdraws any such approval in the future, we may need to find alternative production facilities. Although we carry out compliance checks, the occurrence or suspected occurrence of production not in line with our specifications or regulatory requirements can lead to lost inventories, and in some cases product recalls and enforcement action, with consequential damage to our reputation and the risk of product liability. The investigation and remediation of any identified problems can cause manufacturing delays, substantial expense, lost sales and the delay of new product launches. Moreover, the long history of operations conducted at the majority of the Group's production facilities could complicate our evaluation on the adequacy of the safety precautions adopted at these facilities and, more generally, of the potential liabilities connected to such operations, which could result in fines by competent regulatory authorities and in significant and unexpected capital expenditures to be sustained in order to comply with applicable laws.

Our production facilities are also subject to periodic inspections by regulatory authorities to assess compliance with the relevant regulations. If we were to violate the applicable regulations, we could be fined, and the competent regulator could impose a complete shutdown of the non-compliant manufacturing facility. If we cannot successfully manufacture materials that conform to our specifications and the requirements of the relevant regulatory authorities, we will not be able to secure or maintain regulatory approval for our production facilities.

Any of the risks described above may have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Incidents at our production sites may cause environmental or other third party damages.

We operate 14 production/finishing facilities (eight of which are located in Italy, two in Spain, two in Brazil and two in the United States). Following the Cordenons Acquisition, we will also operate two additional facilities in Italy. Incidents at our production facilities could result in injury to our employees, third parties, or environmental damage, such as the damage resulting from accidental discharge of untreated water used in the paper manufacturing process.

Our product development and manufacturing processes involve the use of chemicals, such as organic solvents and other mineral additives, and other hazardous materials. These programs and processes expose us to risks of accidental contamination, such as accidental discharge of untreated water used in the production process, events of non-compliance with environmental, health and safety laws and regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events. See "—We are subject to the risk of litigation and other claims." If an accident occurs, or if contamination is discovered, we could be liable for clean-up obligations, damages or fines and could incur in significant capital expenditures, which could have an adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes. For example, in 2016, the Veneto Regional Agency for the Protection of the Environment (ARPAV) carried out an inspection at Fedrigoni Group's production facility in Verona, Italy and identified certain non-compliances. Subsequently, the Fedrigoni Group's is assessing bids from suppliers for the installation of biological wastewater treatment plants at the Verona production facility, which we expect to result in capital expenditures of €4.0 million. The Fedrigoni Group's may be required to install additional wastewater treatment section at other plants and incur significant costs in connection with any installations.

The environmental laws of the jurisdictions in which we operate may impose obligations to clean up contaminated sites. These obligations may relate to sites that we acquire, own or operate, that we formerly owned or operated, or for which we may otherwise have retained liability or where waste from our operations was disposed. Were such environmental clean-up obligations to arise, they could significantly reduce our profitability. In particular, any financial accruals which we may make for these obligations might be insufficient if the assumptions underlying the accruals prove to be incorrect, or if we are held responsible for additional contamination. The long history of industrial operations at a number of our production facilities increases the risk of potentially material contamination being present at the sites.

We are also subject to various foreign and local laws and regulations pertaining to occupational health and safety that require us to maintain a safe workplace environment, maintain documentation of work-related injuries, illnesses and fatalities, complete workers' compensation loss reports, review the status of outstanding workers' compensation claims and complete certain annual filings and postings. Failure to comply with these and other applicable occupational health and safety requirements could result in fines and penalties, and could require us to undertake certain remedial actions or be subject to suspension of certain operations. From time to time, our employees are involved in health and safety-related incidents at our production facilities. These incidents have resulted and could result in the future in regulatory investigations and penalties, as well as regulatory and private claims.

Stricter environmental, health and safety laws and enforcement policies could result in substantial costs and liabilities for us, and could result in the handling, manufacture, use, reuse or disposal of substances or pollutants being subject to greater scrutiny by relevant regulatory authorities than is currently the case. Compliance with these laws could result in significant capital expenditures, as well as other costs, thereby potentially harming our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Our business may suffer if we fail to protect our industrial and intellectual property rights, if any pending registration fails, if we are sued for infringing the intellectual property rights of third parties, or if we are unable to obtain rights to third-party intellectual property on which our business depends.

The Fedrigoni Group has registered numerous trademarks, including the Fedrigoni, Fabriano, Arconvert, Manter and GPA trademarks, which are important to our success and reputation. The Fedrigoni Group has also registered more than 16 patents, mostly relating to the Security Business Line, and Internet domains. Moreover, following the Cordenons Acquisition, our Group will own additional recognizable trademarks (such as Astrosilver, Modigliani, Wild, Papermilk, Dalí and Malmero) and various patents. See "Business—Intellectual Property." These proprietary rights are important to our business, and our ability to compete effectively with other companies in the market is enhanced by the ability to access technology through cross-trading intellectual property rights. We also rely upon know-how, continuing technological innovations and licensing rights to develop, maintain and strengthen our competitive position. We seek to protect our industrial and intellectual property rights by registering them in the various jurisdictions where we operate and by continuously monitoring any activity of third parties attempting to register intellectual property rights that conflict with those held by us. There can be no assurance, however, that our efforts to protect our industrial and intellectual property rights from use (including through infringement) by third parties will be successful. Moreover, these industrial and intellectual property rights may be insufficient to establish or maintain a competitive advantage if third parties develop and register competing or similar trademarks or patents.

In addition, in many foreign countries where we operate the protection of intellectual property rights is not as strong as in Italy, other member states of the European Union or the United States. Also, in a limited number of countries where we operate, the registration process of our trademark in connection with certain classes of goods is still pending due to provisional rejections and/or objections filed by trademark authorities. Should one or more of these registration processes fail, it may be harder to protect our trademark for the associated classes of goods. Moreover, even if patents are registered, this does not prevent competitors from developing substantially equivalent (or better) products than our Group's, as long as its industrial or intellectual property rights are not infringed. Our industrial or intellectual property rights may also be insufficient to prevent acts of unfair competition or counterfeiting by third parties.

Additionally, even if regular registration is obtained, this does not eliminate the risk that such industrial and intellectual property rights may be disputed by third parties. Pending or potential future legal proceedings concerning our intellectual and industrial property rights might force us to grant licenses to third parties, obtain licenses from third parties, discontinue the production or sale of certain products, or be exposed to claims for damages.

Finally, third parties may assert claims that our products infringe their proprietary rights. As of the date of this Offering Memorandum, we are involved in one intellectual-property related action. See also "Business—Legal Proceedings." We are also involved in five opposition proceedings challenging lack of novelty and individual character of some of our patents. Although we believe that the claims alleged in these actions have no merit and that we will not be required to make any material compensation payment, we cannot rule out that we will not be required to make such payments. Such infringement claims, even if without merit, may cause us to incur significant costs in defending against those claims. We may also be required to discontinue using any infringing technology or services, pay damages or royalty fees, expend resources to develop non-infringing technology, dedicate significant financial and management resources to defend these claims, or purchase licenses or pay royalties for alternative technology. See also "—We are subject to the risk of litigation and other claims."

Any of the above adverse circumstances might damage the image and market perception of our brands or trademarks and may have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We are subject to the risk of litigation and other claims.

From time to time, we are involved in various litigation matters, including personal injury, property damages and product liability claims, warranty obligations claims, alleged violations of environmental, health and safety laws criminal proceedings (such as those relating to injuries suffered by our employees, which could result in criminal liabilities of our legal representatives and administrative penalties against us), labor law related claims/claims with distributors, agents other external workers and sales employees and others. See also "Business—Legal Proceedings," "—Our business may suffer if we fail to protect our industrial and intellectual property rights, if any pending registration fails, if we are sued for infringing the intellectual property rights of third parties, or if we are unable to obtain rights to third-party intellectual property on which our business depends" and "Risks Related to Our Business—Incidents at our production sites may cause environmental or other third party damages." When we determine that a significant risk of a future claim against us exists, we record provisions in an amount equal to our estimated liability. There can be no assurance that our provisions will be sufficient to cover our actual litigation costs. In addition, third-party litigation, including litigation related to competition law, anti-trust law, tax law and patent law could have an indirect, materially adverse impact on us and the market environment in which we operate.

As of the date of this Offering Memorandum, the Fedrigoni Group is involved in three pending general litigation claims. Although we believe that the claims alleged in these actions have no merit and that we will not be required to make any material compensation payment, we cannot rule out that we will not be required to make such payments. See "Business—Legal Proceedings." There can be no assurance that we will be successful in defending ourselves in pending or future litigation claims or similar matters under various laws or that product-specific provisions will be sufficient to cover litigation costs. Moreover, it may be difficult for us to obtain and enforce claims related to existing litigation under the laws of certain countries in which we operate at affordable costs and without any materially adverse effects on our business in such country.

Any of these risks could result in considerable costs, including damages, legal fees and temporary or permanent ban on the marketing of certain products and this could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We are subject to a growing number of environmental laws and regulations, and the cost of compliance or the failure to comply with, and any liabilities under, current and future laws and regulations may negatively affect our business.

We are subject to a wide range of international, national, state and local environmental, health and safety laws and regulations applicable to industrial companies (particularly those in the paper sector) in the jurisdictions where we operate, including those governing the discharge and emissions of pollutants into the air, water and land, the use, storage and disposal of hazardous substances and natural resources, wastes and the clean-up of contaminated properties. These laws and regulations are complex, frequently change and have tended to become more stringent over time. The passing of new or amended laws or regulations, in Italy or internationally, could require us to adopt more stringent standards or could restrict our operational or strategic flexibility. These developments may also result in significant costs and additional investments as we take measures to ensure compliance of production structures or product features with the new standards. They may also limit or slow down our operations and our production facilities expansion, with a consequent adverse effect on our activities, business, results of operations or financial condition.

For example, the EU Emissions Trading Scheme, which is effective in the countries in which our production facilities operate, requires progressively greater reductions of carbon dioxide and other greenhouse-gas emissions during its third phase of regulation from 2013 to 2020 by requiring regulated installations to surrender allowances to competent authorities to account for their emissions, which allowances they must purchase in auctions. Our production and co-generation facilities generate such gases, and any further limitations applicable to us may require material expenditures and may have other adverse consequences. In addition, our facilities have been licensed under the EU Industrial Emissions Directive, and conditions imposed by authorities as part of this licensing scheme, or the licensing scheme under its successor, are becoming more stringent and will likely require material capital and other expenditures. Our industry also faces increasing public and community pressure to consume energy more efficiently, including through the use of renewable fuels, and to reduce waste. In addition, the European paper industry is required to procure wood and pulp from sustainably managed forests through a number of certification schemes such as the EU Timber Regulation. While 100% of the wood used to manufacture our products currently comes from such forests, we may be required to implement additional measures in an effort to address these concerns in the future, which may require us to invest substantial resources in adjusting and modifying our production processes.

The risk of substantial environmental costs and liabilities is inherent in our industry, and there can be no assurance that any incurrence by us of such costs and liabilities, or the adoption of increasingly strict environmental laws, regulations and enforcement policies and practices, will not have a material adverse effect on our business, financial condition, results of operations and cash flows. Although we strive to ensure that our facilities comply with all applicable environmental laws and permits required for our operations, we have in the past been, and may in the future be, subject to governmental enforcement actions for failure to comply with environmental regulations. Impacts from historical operations, including the land or water disposal of waste materials, or our own activities may require costly investigation and clean-up.

Any of the above adverse circumstances could damage our image and market perception and, more in general, could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We may be unable to recruit and retain key personnel, including qualified scientific, technical and sales employees.

We are highly dependent on our senior management and key employees. The loss of any senior manager or key employee may significantly delay or prevent the achievement of our product development or business objectives. If we were to unexpectedly lose a member of our key management or fail to maintain one of the strategic relationships of our key management team, our business and results of operations could be materially adversely affected. In addition, we do not expect other current shareholders to be actively involved in the future.

In particular, the success of our business depends on our ability to successfully adapt to rapidly changing technological, social, economic, and regulatory developments. This necessitates a range of specialist personnel, particularly in the areas of engineering, technical support, finance and controls, sales, administration and operations, and requires us to retain, recruit, and develop the necessary personnel who can provide the needed expertise across the entire spectrum of our business and operations. The market for qualified personnel is competitive and we may not succeed in recruiting additional personnel, or we may fail to replace departing personnel with suitable successors. There may be a limited number of persons with the requisite skills to serve in this position and we cannot assure you that we will be able to identify or employ qualified internal or external candidates within a reasonable timeframe. Our efforts to retain and develop personnel may also result in additional expenses, which could adversely affect our profitability. We cannot guarantee that key personnel, including executive officers, will remain in our employment or that we will be able to attract and retain qualified personnel in the future, which could have a material adverse effect on our business.

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

As of March 31, 2018, the Fedrigoni Group employed 2,708 full-time employees. As of December 31, 2017, Cordenons employed 290 full-time employees. We are subject to several collective bargaining agreements in certain countries in which we operate, such as Italy and Spain, and have a variety of labor agreements with unions and government authorities. See "Business—Employees." While we believe that we have good relations with unions and employees generally, there can be no assurance that our relations will not deteriorate and that we will not experience labor disputes in the future. Any failure to extend or renegotiate our collective bargaining agreements on terms favorable to us, or at all, could have a material adverse effect on our business. There can be no assurance that our employees will not make claims or that we will not incur work stoppages in the future, which if they occurred, would have a material adverse effect on our business, financial condition or results of operations. In addition, the Italian constitution provides that all employees of Italian companies have the right to set up and join trade unions and to carry on union activities, including appointing workers' representatives to negotiate with their employer. The right to go on strike is provided for under Italian law. We cannot guarantee that our employees will not go on strike in the future. Any work stoppages resulting from employee strikes could hinder our ability to provide our standard level of customer service.

Furthermore, in the event of a market downturn, or other events leading to a decrease in our business volume, we may have to downsize our industrial activities, including by reducing staff and discontinuing some operations. Flexibility in human resource management is, however, significantly affected by labor laws and regulations and by the terms of the agreements between us, unions and government authorities. Labor law and union practices provide significant protections for worker rights in various countries where we operate, including Italy. If there is a market decline or a reduction in business and we are unable to reorganize our workforce consistently with the resulting fluctuation in work load, or otherwise to adjust our production capacity, or are required to incur significant costs in connection therewith, this could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Our pension plan may require additional future contributions.

Certain of our employees are participants in a defined benefit pension plan that we sponsor. The additional amount of future contributions to our defined benefit plan will depend upon asset returns and a number of other factors and, as a result, the amounts we will be required to contribute in the future may vary. Cash contributions to the plan will reduce the cash available for our business.

We may incur liabilities for the actions of our directors, employees, agents, representatives and intermediaries.

Our employees carry out services at premises operated by us. As a result, we may be subject to claims in connection with damage to property, business interruptions, unauthorized use of our property, unauthorized entry or breach of security protocols, negligence, willful misconduct or other tortious acts by our employees or people who have gained unauthorized access to premises through us. Such claims may be substantial and may result in adverse publicity for us.

Moreover, conducting our business in an ethically acceptable manner is important to our reputation, status with regulators and business prospects. Any contact by our directors, employees, agents or partners with the public administration (including, but not limited to, in the context of interactions held with the public administration in the process of obtaining or renewing any authorization or license, any possible public contribution, etc.) involves risks associated with fraud, bribery, corruption, incorrect use of public contribution and other fraudulent activities by our employees and related investigations. In addition, our business activities may also involve risks related to possible accidents, which may be due to our employees' activities or mistakes and may consist in crimes such as breach of security measures, damages to third parties or manslaughter. Furthermore, we are exposed to the risk that our directors, employees or agents could commit IT related crimes, which may consist in violating the IT systems of our competitors, unlawful access to banking data (including that of our clients) and damages to IT systems and documents.

Although we maintain, give effect and update internal monitoring systems (including the internal control model pursuant to Italian Legislative Decree No. 231/2001, "LD 231/2001") aimed, inter alia, at preventing direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, deception, tax evasion, environmental crimes and any other illegal or otherwise unethical conducts, we may be unable to detect or prevent every instance of such conducts involving our directors, employees, consultants, partners, agents and third party agents representatives and intermediaries and our monitoring systems (including our internal controls and procedures, policies and our risk management system) may not be sufficient to prevent, detect and identify inadequate practices, and violation of law by such individuals, especially given our profile, size as well as in light of the extent of our cooperation with them.

Any of the foregoing circumstances (including our failure to adequately implement such monitoring systems) may expose us to civil and administrative penalties, also pursuant to the provisions of LD 231/2001, as well as to reputational damage as a result of such occurrences. In particular, pursuant to LD 231/2001, we may be held responsible for certain crimes committed in Italy or abroad (including, among others, corruption, fraud against the state, corporate offenses, market abuse, certain environmental violations and workplace safety violations) in our interest or for our benefit, by individuals having a functional relationship with us at the time the relevant crime was committed, including third party agents, partners or intermediaries, unless we were able to prove that such individuals fraudulently violated such internal control model and it was for us impossible to avoid such violation. In such circumstances, we may be subject to fines, confiscation of profits or legal sanctions, including the termination of authorization, permits, licenses, concessions and financing arrangements, including facilitated financing, suspension of our operations, or prohibitions on contracting with public authorities. The duration of these disqualifications range from a minimum of three months to a maximum of two years, although in very serious cases, some of these disqualifications can be applied permanently. Certain of the above- mentioned legal sanctions may also be applied as interim measures during investigations. As an alternative to the legal sanctions, the court may appoint a judicial custodian to run the company, with the consequence that the profits gained during the receivership period are automatically confiscated. These allegations may expose us to liability under LD 231/2001.

Any of these event could have a material adverse effect on our business, financial condition and results of operations.

Fedrigoni Group's future results in the Security Business Line depend on its ability to win tenders for future contracts.

Fedrigoni Group's public sector customers in the Security Business Line consist of central banks and government printing offices (for the production of banknotes, passports, stamps and diplomas and similar documents). In the private sector, Fedrigoni Group's customers are printers of value items and securities such as banknotes, checks, meal tickets, and tickets for theatrical and sports events. Among other things, our paper is used for printing banknotes in Europe, Latin America, Asia and Africa. In the Security Business Line, particularly for the production of banknote paper and security features, contracts are typically awarded based on public tenders by the customer. See also "—Product defects, failure to meet the client's specifications and revenue volatility in the Security Business Line could have a material adverse effect on our activities and growth outlook." Even though there is a continuous need of banknote paper production, the size, frequency and timing of banknote printing requirements of sovereign governments and central banks is difficult to predict and therefore there is no assurance that the Fedrigoni Group will be able in the future to win public tenders of the same size or with the same frequency as we had in the past. Moreover, some of Fedrigoni Group's main public customers could decide to insource their banknote printing for reasons which are beyond our control and are difficult to predict (e.g., political or economic reasons). For example, in 2017, a material customer of our Security Business Line decided to start insourcing its banknote paper production and to temporarily interrupt all of its banknote orders. Such decision is expected to have a significantly negative impact on the Security Business Line in 2018, following a strong growth in the period 2014-2017.

Any of these events could consequently adversely affect Fedrigoni Group's Security Business Line production cycle, may increase the volatility of our results and, more in general, could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Product defects, failure to meet the client's specifications and revenue volatility in the Security Business Line could have a material adverse effect on our activities and growth outlook.

In the Security Business Line, the Fedrigoni Group is engaged in the production and marketing of banknote paper and security products, such as holograms and security threads for banknotes. Contracts in the Security Business Line are typically awarded based on public tenders. Terms of a public tender determine the principal economic and technical requirements (concerning the required features of the products and the service levels) that must be met in carrying out the individual contracts and could impose specific obligations on the contractor (e.g., imposition of a specific supplier of raw materials used to produce certain security products and prohibit distribution in certain countries). Moreover, certain of the Fedrigoni Group's contracts in the Security

Business Line include a product lifetime warranty. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Off-Balance Sheet Arrangements." In the Security Business Line, the Fedrigoni Group is therefore exposed to the risk of liability from products that are defective or do not meet the client's specifications. Any product defects or deviations from the contractual specifications may result in increased costs and expenses for us in order to remedy the defect and meet the specifications, penalties in the event of delays in product deliveries, and potential claims for compensation from customers. Furthermore, these events may compromise the Fedrigoni Group's image, market perception and reputation, impairing its ability to participate in competitive bids for the production of banknote paper or security features, and thus its ability to maintain existing clients or gain new clients in this area. The Security Business Line is also subject to revenue volatility due to a small order portfolio and a high customer base concentration. In particular, as of March 31, 2018, Fedrigoni Group's ten largest customers in the Security Business Line represented 13.2% of its sales revenues. Any loss of a material contract could have a material adverse effect on the Fedrigoni Group's sales revenues in the Security Business Line. For example, a customer's decision to reduce volumes in 2017 caused a material reduction of €7.4 million in the Fedrigoni Group's Adjusted EBITDA for the year ended December 31, 2017. See also "—Fedrigoni Group's future results in the Security Business Line depend on its ability to win tenders for future contracts."

Any of these events could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

The Fedrigoni Group may fail to obtain and maintain the required certifications and accreditations and to comply with the security and confidentiality requirements relating to the production of banknote paper.

Producers of banknote paper and security features must obtain and maintain specific accreditations relating to the security of production sites (so-called "security certification"). To maintain this security certification, the Fedrigoni Group takes a number of steps, including (i) performing various verifications and inspections with appropriate technologies to ensure compliance with the required security measures during all phases of banknote paper production, (ii) observing rigorous procedures for selecting and training personnel operating in the Security Business Line, so as to ensure that they will not violate any laws or regulations, particularly those concerning corruption and fraud, and (iii) adopting high standards of confidentiality in regard both to Fedrigoni Group's relations with third parties and to the personnel working in the Security Business Line. Nevertheless, there can be no assurance that the security certifications the Fedrigoni Group currently holds will be maintained in the future. Moreover, the Fedrigoni Group is subject to agreements with certain of our banknote clients and accreditations from public authorities in the banknote sector that require their consent prior to a change of control of the Fedrigoni Group. If such consent is not received, if one or more security certifications are lost or not renewed, or if the Fedrigoni Group is unable to comply with the security measures and confidentiality requirements established by clients for the production of banknote paper, this could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Our business could be adversely affected if we incur significant integration costs with respect to any of our bolt-on acquisitions or if we fail to successfully integrate such acquisitions, including realization of synergies.

In the past, we have grown through a combination of organic development and acquisitions, and we intend to continue this combination in the future. Examples of our recent acquisitions during the periods presented herein include our acquisition of GPA Holding Company Inc., a U.S. player operating in the distribution of special digital paper and self-adhesive products and Fedrigoni Brasil Papéis Ltda (previously Arjo Wiggins Ltda.), the Brazilian leader in the specialty papers and security papers and products. The integration of both GPA Holding Company Inc. and Fedrigoni Brasil Papéis Ltda is still ongoing as of the date of this Offering Memorandum and acquisitions continue to be a part of our future growth strategy. Moreover, in 2018, we entered into the Cordenons Acquisition Agreement to acquire Cordenons, a manufacturer and distributor of fine paper in Italy focused on high-end luxury packaging and graphic applications, and we plan to build on our experience to successfully integrate Cordenons into our business. The Cordenons Acquisition remains subject to customary closing conditions. For a description of the Cordenons Acquisition Agreement, see "Summary—The Transactions—The Cordenons Acquisition."

Growth through acquisitions entails certain risks, including the risk of a failure to realize the expected benefits of the acquisitions and incurrence of unexpected risks and obligations. While we conduct due diligence in preparation for each acquisition, it is possible that legal, tax and operational risks of the respective target, some of which may be unknown or undisclosed to us at the time of the acquisition, may materialize, have more severe consequences than expected or increase the costs for the integration of a target. In addition, acquisitions are also subject to the risk of overvaluation of the target and thus to the payment of consideration greater than the target market value. Also, we may be unable to evaluate the scale of a potential acquisition, which may result in being unable to allocate proper resources to execute the acquisition and subsequent integration efficiently.

The success of our acquisition strategy is dependent, among other things, on the successful integration of the products and businesses we acquire at the expected costs and their subsequent expansion into new markets or into existing markets in which we operate. Such integration and expansion may put a strain on our management resources, distracting our managers from their regular tasks and require additional management resources to be deployed, especially where a large scale acquisition is involved. Although we believe that our current managerial, administrative, technical and financial resources are capable of supporting our recent and proposed future expansion, there is no assurance that our existing resources will be sufficient for this purpose, or that we will be able to acquire necessary additional resources on commercially acceptable terms or at all. In addition, we may be unable to deploy sufficient resources to integrate a large scale acquisition, which may result in us being unable to realize desired synergies. There is also a risk that key employees of companies we acquire or key employees necessary to successfully commercialize products and technologies that we acquire, may seek employment elsewhere, including with our competitors. Any our failure to acquire, maintain and deploy adequate management, sales, administrative, technical and financial resources to support our expansion, could undermine our acquisition strategy.

In addition, our acquisitions of target companies or product portfolios may be subject to regulatory approval. There can be no assurance that we will be able to obtain regulatory approval for our future acquisitions without unreasonable expenses and within a reasonable time period or at all.

Our failure to integrate acquired businesses and products, or to realize the intended synergies, may prevent us from obtaining the advantages that the acquisitions were intended to create, or could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We may experience unforeseen difficulties, delays or costs in successfully implementing our cost cutting initiatives, and any such actions may not yield the anticipated benefits and could also result in incurring greater costs than anticipated.

The successful implementation of our business strategy depends upon a variety of factors, including a number of factors that are outside of our control. By the end of 2020, we expect to have undertaken initiatives resulting in approximately €18.0 million of annual run-rate cost savings mainly related to procurement savings, headcount optimization and management costs as reflected by our Pro Forma Adjusted EBITDA for the twelve months ended March 31, 2018. The implementation of cost cutting measures is inherently subject to various risks, including unforeseen additional costs, technical complications or labor unrest. We can provide no assurance that we will reach these goals, and our strategy may evolve to suit changed circumstances, actual savings achieved and our ability to make capital expenditures in support of such initiatives. In addition, even if implemented, such measures may turn out to be less effective than anticipated, become effective later than anticipated or not be effective at all and could result in greater costs than anticipated. Any of these outcomes, individually or in combination, could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Fluctuations in exchange rates may adversely affect our business and results of operations.

We conduct business in 128 countries, including the United States, Latin America and China. Therefore, we are exposed to the foreign exchange risk deriving from the different currencies in which we operate. While Fedrigoni Group’s net exposure to fluctuations in exchange rates is limited, its results are subject to foreign exchange translation and transaction risks, particularly with respect to the U.S. dollar, the British pound sterling and the Brazilian real. For example, while the Fedrigoni Group sells the majority of its products in euros, it purchases raw materials, such as pulp and cotton. As a consequence, appreciation or depreciation of the euro against the U.S. dollar could affect our U.S. dollar-denominated purchases and could impact our revenue. In addition, the value of the Fedrigoni Group’s pulp inventory and cash balances in U.S. dollars when translated into euro for purposes of the preparation of our Financial Statements may affect our balance sheet and the reporting of its working capital, including its reported net debt. The Fedrigoni Group also incurs significant operating expenses denominated in British pound sterling mainly in relation to its distribution branch in the United Kingdom. Also in this case, the Fedrigoni Group is subject to appreciation or depreciation of its reporting currency, the euro, against the British pound sterling. Moreover, the Fedrigoni Group's subsidiary Fedrigoni Brazil Papeis Ltda., whose indebtedness and assets are denominated in U.S. dollars and euros, exposes the Fedrigoni Group to the risk of depreciation of the Brazilian real against the U.S. dollar and the euro. Considering that Fedrigoni Group's Financial Statements are prepared in euros, fluctuations in the exchange rates used to convert the Financial Statements of subsidiaries denominated in a foreign currency as part of the consolidation process might significantly affect results of operations, net financial debt, and consolidated net assets in the Financial Statements. Moreover, Cordenons' financial results are affected by fluctuations in exchange rates, particularly with respect to the British Pound and the Australian dollar.

For the three months ended March 31, 2018 and the years ended December 31, 2017, 2016 and 2015, the Fedrigoni Group's sales revenues in currencies other than the euro respectively represented 27%, 24%, 25% and 24% of its total sales revenues, while costs in currencies other than the euro respectively represented 32%, 25%, 29% and 28% of its total costs.

A portion of the Fedrigoni Group's balances in foreign currency is naturally hedged by underlying business activities, such as in the case of the Brazilian real, with sales and costs historically aligned. We also employ different financial derivatives (mainly currency forwards) to counter the risks associated with assets, liabilities and anticipated future cash flows denominated in foreign currency and to protect against significant future fluctuations in the exchange rate for the euro against the U.S. dollar (approximately 65% of the Fedrigoni Group's purchases in U.S. dollars are hedged with forward contracts) and the British pound sterling (approximately 30% of the Fedrigoni Group's sales revenues in British pound sterling are covered by hedging contracts). However, to the extent that our sales revenues in foreign currencies are materially affected or that such financial instruments are not sufficient or not effective or due to a default risk of the relevant counterparty, fluctuations of local currencies could have a material adverse effect on our financial condition, results of operations and our ability to perform our obligations under the Notes.

We are exposed to risks related to conducting operations in many different countries.

The Fedrigoni Group develops, manufactures and markets a broad range of products which are available in 128 countries, including Italy, Spain, the United States, Latin America and Asia. Cordenons markets its products in 90 countries, including Italy, Europe, Asia, Africa, Middle East, Oceania, North and South America. Such international network provides us with a high degree of diversification across geographies. Both of our operations and those of our local sales and business partners in these countries may be subject to the following risks: changes in the rate of economic growth; unsettled political or economic conditions; expropriation or other governmental actions; social unrest, war, terrorist activities or other armed conflict; bribery and corruption; economic sanctions and instructions on exports and other transfers of goods; national and regional labor strikes; confiscatory taxation or other adverse tax policies; deprivation of contract rights; trade regulations affecting production, pricing and marketing of products; anti-trust risks; reduced protection of intellectual property rights; restrictions on the repatriation of income or capital; exchange controls; inflation; currency fluctuations and devaluation; the effect of global environmental, health and safety issues on economic conditions, market opportunities and operating restrictions; and changes in financial policy and availability of credit. In addition, we or any of our local business partners may be subject to legal proceedings regarding bribery and corruption in these countries, and we are unable to ensure or monitor the lawful conduct of our business partners' operations. These factors could adversely affect our financial condition, results of operations and our ability to perform our obligations under the Notes.

Our business may be affected by political uncertainty in Italy.

We are also affected by political uncertainty in Italy related to the outcome of the general election held on March 4, 2018. Following three months of political deadlock, on June 1, 2018, a new government was appointed. However, there is uncertainty as to whether the new government will maintain power through a regular term. Prolonged political instability in Italy may result in decreased demand for our products or in challenges to conducting our business as usual. This in turn may give rise to a decrease in prices and profitability levels, which may have a material adverse effect on our business, financial condition and results of operations. Moreover, in the event a new government takes positions or actions adverse to our industry or the Italian economy as a whole, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

Any violation of anti-corruption legislation may have severe repercussions for our Group.

We are required to comply with the provisions of the several jurisdictions where we operate, including in the area of anti-corruption legislation, in Italy and abroad. Particularly in the Security Business Line, the

Fedrigoni Group participates in public tenders for contracts from public agencies, and maintains commercial relations with governments and with private clients. See "—Product defects, failure to meet the client's specifications and revenue volatility in the Security Business Line could have a material adverse effect on our activities and growth outlook." Therefore, we could face allegations or could be subject to investigations pursuant to applicable anti-corruption legislation in the countries where we operate. Although the Fedrigoni Group has adopted and maintains a "Code of Ethics" that includes provisions addressing compliance with anti-corruption regulations, consistent with LD 231/2001 as well as a Management and Control Model (Modello di Organizzazione e Controllo), there can be no assurance that such system will be able to detect or prevent all potential instances of illicit conduct. Recently, there has been a substantial increase in the global enforcement of anti-corruption laws. We operate in parts of the world that have experienced large-scale government corruption, such as Brazil, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. An allegation or a finding of illicit conduct by our Group could have a material adverse effect on our business, financial condition and results of operations as well as our ability to win new orders or renew existing commercial relationships. Moreover, any court proceedings and judgments against us, even if not final (for example because still subject to appeal), may cause us to lose orders that have already been awarded, or to be barred from participating in future public tenders, and may damage our reputation. If we are found liable for violations of any of these laws (either due to our own actions, out of our own inadherence or due to actions or inadherence of others), we could suffer administrative, criminal or civil liabilities. For example, in 2015, Consip (the Italian governmental agency that acts, inter alia, as central purchasing body) excluded Fedrigoni from a public tender for the supply of stationery products to Italian schools due to the failure to report in the administrative documentation required in the context of such tender that both the former CEO and a senior manager of Fedrigoni had criminal records. Although ANAC (the Italian Anti-Corruption Authority), following a notice notified by Consip summarizing the content of its decision, ruled that the omission of Fedrigoni was not due to gross negligence or fraud and consequently dismissed the case opened before ANAC itself, an administrative proceeding before the Italian Supreme Administrative Court is still pending in relation to the aforementioned Consip's exclusion and a negative ruling could potentially exclude Fedrigoni from future tenders in Italy or abroad for a maximum period of three years from the date in which the decision becomes final and binding. See also "Business—Legal Proceedings." From time to time, we also receive complaints from employees or former employees alleging improper conduct by other employees or managers in the Group. As of the date of this Offering Memorandum, we are investigating one such anonymous whistleblower complaint in relation to a relatively-recently acquired subsidiary of the Group. This complaint alleges compliance violations by certain persons employed by such subsidiary, but such allegations have not been verified and are still being investigated with the assistance of external counsel.

Any of these events could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Our international sales and operations increase the risks associated with economic and trade sanctions imposed by the European Union, the United States and other jurisdictions.

We must comply with applicable economic and trade sanctions and export controls imposed by governments and authorities in the jurisdiction in which we conduct our operations. These measures can prohibit or restrict transactions and dealings with certain countries and with certain designated persons. If we fail to comply with such applicable laws and regulations, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could adversely affect our business and financial condition, results of operations, and our ability to perform our obligations under the Notes. The Fedrigoni Group currently distributes its paper and paper-related products to customers in Iran, Syria, Russia, and Venezuela and, in the past, we sold paper-related products to parties marketing such products in Cuba. The Fedrigoni Group also distributes its security products to customers in countries that may be subject to sanctions, such as Venezuela, which may involve contracting with government agencies. We believe these activities have been in compliance with applicable sanctions and export control laws, and we are not aware that United States persons, including our U.S. operations, have been involved in or otherwise facilitated such activities. While we believe that Fedrigoni Group's activities to date have been performed in compliance with applicable sanctions and export controls, we cannot predict the manner in which existing laws might be administered or interpreted. We also cannot predict the nature, scope or effect of future regulatory requirements to which our operations might become subject. Future regulations could limit the countries in which some of our products may be sold, or could restrict our access to, or increase the cost of obtaining, products from foreign sources. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

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

Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. We often rely on generally available interpretations of applicable tax laws and regulations. We cannot be certain that the relevant tax authorities are in agreement with our interpretation of these laws. If our tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay or increase the cost of our services to track and collect such taxes. For example, the Fedrigoni Group has been challenged by competent Italian tax authorities with reference to the proper determination of excise duties (accise) to be paid in relation to the consumption of electric energy utilized during the production process at its production facilities located in the cities of Fabriano, Pioraco and Castelraimondo, for a total amount of approximately €2.3 million (including penalties) for the periods 1993-1998 and 2008-2016. The Fedrigoni Group has appealed against these challenges before the competent tax courts and, as of the date of this Offering Memorandum, the relevant proceedings are pending. Any of these risks could increase our cost of operations and have a negative effect on our business, financial condition, operating results and cash flows.

We rely on certifications by industry standard-setting bodies.

We obtain and seek to adhere to certain certifications because we seek to conduct our activities with respect to the environment and because certain of our customers have required us to obtain such internationally recognized certifications for our products, or we comply on a voluntary basis because we believe that it confers advantages on sellers who are so certified. We incur significant costs and expenses to comply with and maintain our certifications, including assessments on a regular basis, annual monitoring and implementation of record-keeping requirements. If we fail to maintain any of our certifications, our business may be harmed because our customers that require or encourage such certifications may cease buying products from us, which in turn could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to locate and develop relationships with a sufficient number of new pulp suppliers or maintain relationships with our existing pulp suppliers, which could lead to increased costs and product shortages, which could harm our business.

While we supply some of the raw materials used in our production process internally, we purchase pulp from third-party suppliers. In particular, the Fedrigoni Group purchases 95% of pulp (which is the principal raw material used in its paper production accounting for 29.0% of the total cost of raw materials in the twelve months ended March 31, 2018), from its top ten, non-exclusive, third-party suppliers. See "Business—Procurement and Suppliers" and "—Risks Related to Our Industry—Changes in the costs or availability of raw materials and energy could adversely affect our business." Although the standard contractual terms with Fedrigoni Group's pulp suppliers typically provide for a monthly negotiation of price based on PIX indexes and for standard payment terms of 90 days in the event that one or more of its pulp suppliers decides to no longer work with the Fedrigoni Group or demands more stringent payment terms or is unable to meet the quantity or quality of the Fedrigoni Group's product requirements, we may not be able to develop relationships with new suppliers in a manner that is sufficient to supply the shortfall. Even if we do identify such new suppliers, we may experience increased costs or product shortages as we transition our product requirements to alternative suppliers. In addition, we cannot assure that any new supplier with which we do business would not be subject to the same or similar quality and quantity related risks as our existing suppliers.

Any of these factors could adversely affect our financial condition, results of operations and our ability to perform our obligations under the Notes.

Failure to renew agreements with our material suppliers and customers on acceptable terms or the termination of such agreements by material suppliers or customers could harm our business.

Failure to renew contracts with material suppliers, such as suppliers of pulp, energy, methane gas, mineral charges (calcium carbonate and kaolin) and chemicals (latex, starch, glues and colors) and material customers, such as printers, publishers and processors in the Paper Business Line and in the Cordenons' business, label printers and producers in the Fedrigoni Group's Converting Segment and public customers in Fedrigoni Group's Security Business Line, could negatively impact our business. See also "—We may not be able to locate and develop relationships with a sufficient number of new pulp suppliers or maintain relationships with our existing pulp suppliers, which could lead to increased costs and product shortages, which could harm our business." In addition, certain of our contracts with suppliers and customers could be early terminated by the respective counterparties as a result of a change of control and/or under other circumstances provided under the relevant contracts. Besides, certain of our relationships with our suppliers and customers are not governed by a framework agreement but only by specific orders from time to time and, therefore, there is no certainty on their duration and they could be interrupted abruptly. At the end of a contract's term, which may be accelerated as a result of an early termination under the contracts, these suppliers or wholesalers have a choice to either renegotiate their contract with us, increase or decrease its scope (with our consent), seek out our competitors to provide the same or similar services or cease outsourcing of the relevant activity. Whenever a contract expires or is due for renewal, suppliers and wholesalers may seek price adjustment from us. In addition, these parties may seek a price adjustment when their business experiences significant volume changes. Certain material suppliers or customers may also seek to increase prices previously agreed with us due to pricing competition or other economic needs or pressures being experienced by the supplier or the customer. Moreover, in the Fedrigoni Group's Security Business Line, terms of public tender could include ad nutum termination provisions. If our contracts are terminated either by a material supplier or customer (for example, as a result of a change of control event being triggered) or not extended upon their termination, if our material suppliers or customers shift business away from us, or if we are unsuccessful in retaining high renewal rates and contract terms that are favorable to us, this can cause delays and may have a material adverse effect on our business and our respective operating segments, financial condition, results of operations and on our ability to perform our obligations under the Notes.

The Fedrigoni Group generally does not have any formal contractual arrangements with its distributors, which may have a material adverse effect on the Fedrigoni Group's business.

The Fedrigoni Group generally does not enter into any formal contractual arrangement with its external distributors, who distribute approximately 23.1% of its products. Accordingly, the Fedrigoni Group negotiates prices with distributors orally for each order it places and it is therefore subject to the risk that distributors will demand lower prices and it may not be able to successfully resist such demands, which could impact the Fedrigoni Group's margins if it cannot incorporate such changes into the prices of its products. The Fedrigoni Group is also subject to the risk that its distributors could require more stringent payment terms, and condition their sale of its products on its acceptance of such terms. Furthermore, in case of disputes with the distributors, the Fedrigoni Group could encounter difficulties in providing evidence and enforcing such agreements (depending on the applicable law) and it would not have contractual remedy against these distributors if it suffers economic loss as a result of their actions. Any of these factors could adversely affect the Fedrigoni Group's financial condition, results of operations and our ability to perform our obligations under the Notes.

The Fedrigoni Group's Converting Segment could be affected by fluctuations in wine production.

One of the Fedrigoni Group's key premium niche market in the Converting Segment is the wine labels market, which accounted for 23.3% of its total sales revenues in the Converting Segment in the twelve months ended March 31, 2018. In this market, the Fedrigoni Group is the second largest manufacturer of self-adhesive products globally, with approximately 29% of market share by volume in self-adhesive products for wine bottle labels, and the largest manufacturer in Europe, with approximately 42% of market share by volume. Labels production in this premium niche market is highly dependent on wine production, which fluctuates on a yearly basis due to a range of factors which are beyond the Fedrigoni Group's control, such as climate change. For example, in 2017 the French wine production was severely affected by adverse climate conditions, which caused a reduction in the volume of wine produced of 8.5% compared to the previous year. While global wine production has shown a relatively stable trend in the last 15 years, it cannot be ruled out that the wine industry could be negatively affected in the future, which could decrease the Fedrigoni Group's results of operations and have a material adverse effect on our business and financial condition.

Customer demand is difficult to forecast accurately and, as a result, we may be unable to match production of our specialty products in the Paper Business Line or Cordenons' special paper segment with customer demand.

We make planning and spending decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of product demand and customer requirements.

Our specialty products in our Paper Business Line, which include packaging paper, digital print paper, drawing and art paper, stationery and Cordenons' special papers are typically purchased pursuant to individual purchase orders. While our customers may provide us with their demand forecasts, they are typically not contractually committed to buy any quantity of products beyond firm purchase orders. Furthermore, many of our customers may increase, decrease, cancel or delay purchase orders already in place without significant penalty. The short-term nature of commitments by our customers and the possibility of unexpected changes in demand for their products reduce our ability to accurately estimate future customer requirements. On occasion, customers may require rapid increases in production, which can strain our resources, cause our manufacturing to be negatively impacted by materials shortages, necessitate more onerous procurement commitments and reduce our gross margin. Although our production process is flexible and enables us to satisfy changes in demand, we may not have sufficient capacity at any given time to meet the volume demands of our customers, or one or more of our suppliers may not have sufficient capacity at any given time to meet our volume demands. If any of our major customers decrease, stop or delay purchasing our products for any reason, we could have excess manufacturing capacity or inventory and it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business is conducted under various administrative controls.

Our operations are subject to the general supervision of various public administrative authorities, including labor, tax and environmental authorities, as well as to extensive regulation of our business and its impact on the environment, including with respect to carbon dioxide emissions. Such laws and regulations require licenses, permits and other approvals to be obtained in connection with the operation of our business. We are also required to purchase carbon dioxide emission credits commensurate with our emissions, the price of which may significantly increase. In compliance with Kyoto Protocol's requirements regarding greenhouse gas emission reductions, we began making payments for carbon dioxide emission credits in 2005 and we currently trade white certificates. For example, in 2016, the Fedrigoni Group paid €0.8 million for carbon dioxide emission credits. The regulatory framework to which we are subject imposes significant actual, day-to-day compliance burdens, costs and risks on us. Non-compliance with such regulations could result in the revocation of permits, sanctions, fines or even criminal penalties. Compliance with regulatory requirements may result in substantial costs to our operations that may not be recovered. In addition, we cannot predict the timing or form of any future regulatory or law enforcement initiatives. Changes in existing energy, environmental and administrative laws and regulations may materially and adversely affect our business, products, services, margins and investments. Further, such changes in laws and regulations could increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and even criminal penalties.

We believe that we manage our business in a manner that conforms to general practice in our industry and that complies with applicable administrative rules, regulations and procedures. However, we cannot assure you that our interpretation and application of such rules, regulations and procedures will not differ from the views of the relevant public authorities as to their appropriate interpretation and application. These public authorities may audit, review or inspect our activity.

To the extent any such audit, review or inspection reveals discrepancies between the interpretations and applications made by us and those made by the relevant public authority, we may experience a material adverse effect on our business, financial condition, results of operations and cash flows.

Our insurance is limited and subject to exclusions.

We operate 14 production/finishing facilities, of which six are also paper mills. Following the Cordenons Acquisition, we will also operate two additional facilities in Italy. We currently have in place a number of different insurance policies that cover property damage and losses due to the interruption of our business, subject to customary conditions. We believe that this coverage is adequate to cover the risk of loss resulting from any damage to our property or the interruption of any of our business operations. However, the insurance policies are subject to limits and exclusions. There can be no assurance that our insurance program would be sufficient to cover all potential losses and we may not be able to obtain sufficient levels of property insurance coverage in the future or that such coverage will be available on terms acceptable to us. See "—If we encounter problems manufacturing products or cease to manufacture products, our business could suffer."

If the level of premiums were to increase in the future, we might not be able to maintain insurance coverage comparable to those that are currently in effect at comparable cost, or at all. For example, some of our insurers could decide to review insurance premiums or modify our insurance coverage as a result of the higher levels of leverage and indebtedness of our Group. Failure to maintain adequate insurance coverage could result in the termination of contracts by our material suppliers or in the modification of price mechanics of our material contracts, which could have a material adverse effect on our business financial condition, results of operations and cash flows. See "—Failure to renew agreements with our material suppliers and customers on acceptable terms or the termination of such agreements by material suppliers or customers could harm our business." Moreover, if we were unable to pass any increase in insurance premiums on to our customers, such additional costs could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Furthermore, the Fedrigoni Group generally obtains trade credit insurance with respect to a large part of its trade receivables. Although the Fedrigoni Group generally extends trade credit only where such insurance is available, in certain cases it will extend such trade credit where insurance cannot be obtained or cannot be obtained in sufficient amounts. We cannot assure you that our efforts to insure the Fedrigoni Group's trade credit receivables will be effective to prevent losses in the event of our counterparties' financial distress and that any such financial distress will not result in reductions or cancellations or our existing policies. Any such trade credit losses may be substantial and would negatively affect our results of operation and financial position.

A breakdown in our information technology systems could result in a significant disruption of our business.

Our operations, including research, development, manufacturing, accounting, storage and delivery, are highly dependent on our information technology systems. We make continuous investments to appropriately adapt these complex and high-performing systems to changing business processes. Such systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital data centers and computer virus infection. In addition, the information technology system needs regular upgrading to accommodate expansion of our business and maintain the efficiency of our operations. If we face a breakdown in our system, we could experience significant business and operational delays across our businesses. In particular, any breakdown in our information technology systems could result in disruptions of our research, development, manufacturing, accounting and billing processes. To the extent that any disruption or security breach were to result in a loss of or damage to our data, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the development of our product candidates could be delayed. Any of this could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We handle personal data including in the ordinary course of our business, and any failure to comply with applicable data protection laws or to maintain the confidentiality of that data could result in fines, legal liability for us and reputational harm to our business.

We process personal consumer data (including consumer names and addresses) as part of our business, and therefore we must comply with strict data protection and privacy laws in all the jurisdictions in which we operate. For example, we are subject to extensive European and Italian laws and regulations on privacy, information security and data protection, the main and most relevant of which relate to the collection, protection and use of personal and business data, including the EU Regulation 2016/679 ("European Data Protection Regulation"). In particular, we adapted our internal procedures to the requirements imposed by the recently implemented European Data Protection Regulation. The costs of complying with the European Data Protection Regulation are increasing, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place. Our failure to comply with privacy, data protection and information security laws, such as the European Data Protection Regulation, could result in potentially significant regulatory and/or governmental investigations and/or actions, litigation, fines, sanctions and damage to our reputation.

Moreover, data protection laws and rules impose certain standards of protection and safeguarding on our ability to collect and use personal information relating to customers and potential customers, and could make us liable in the event of a loss of control of such data or as a result of unauthorized third-party access. Unauthorized data disclosure could occur through cyber security breaches as a result of human error, external hacking, malware infection, malicious or accidental user activity, internal security breaches, and physical security breaches due to unauthorized personnel gaining physical access. We and our customers and suppliers who carry out our outsourcing, could be subject to breaches of security by hackers. A future breach of our system or that of one of our customers or outsourcing partners may subject us to material losses or liability, including fines, claims for unauthorized use of personal and sensitive data or other claims. A misuse of such data or a cybersecurity breach could harm our reputation, increase our operating expenses in order to correct the breaches or failures, expose us to uninsured liability, increase our risk of regulatory scrutiny, subject us to lawsuits, result in the imposition of material penalties and fines under any applicable international laws or regulations, and adversely affect our business and results of operations. We have policies and procedures in place to seek to prevent such breaches and carry out detailed root cause analysis on any breach that does occur in order to ensure that similar occurrences do not arise. However, if a single material breach or series of less material breaches was to occur, we could face liability under data protection laws, could lose the goodwill of our clients and could have our reputation damaged.

Any of these factors could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

The Fedrigoni Group's business requires significant ongoing capital expenditures.

The Fedrigoni Group's total capital expenditures (which consist of investments in intangible assets, investments in property plant and equipment (including Extraordinary Capital Expenditures), net of disposals of intangible assets and disposals of property, plant and equipment) were €31.6 million for the year ended December 31, 2015, €43.3 million for the year ended December 31, 2016, €54.2 million for the year ended December 31, 2017 and €54.0 million for the twelve months ended March 31, 2018. The Fedrigoni Group incurs significant capital expenditures on an ongoing basis to maintain its equipment and to comply with environmental and safety laws, as well as to enhance the efficiency of its operations. Going forward, the Fedrigoni Group expects its average annual maintenance capital expenditure (i.e., capital expenditure required to maintain the operating performance of our production and co-generation facilities) to be approximately between €15.0 million and €20.0 million. We will undertake any additional, non-maintenance capital expenditure only where we believe such capital expenditure would be accretive to our Adjusted EBITDA.

We anticipate that our available cash resources will be sufficient to fund our operating needs and capital expenditures for the foreseeable future. If we require additional funds for capital expenditures, we may not be able to obtain them on favorable terms, or at all. Furthermore, if we cannot maintain or upgrade our production facilities and equipment as we require or as necessary to ensure environmental compliance with current or future regulations, it could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Concerns about the effects of climate change may have an impact on our business.

Concerns about global warming and carbon footprints, as well as legal and financial incentives favoring alternative fuels, are causing the increased use of sustainable, non-fossil fuel sources for electricity generation. Electricity generation companies are competing in the same markets as us for the same raw materials we use in our paper production process, namely wood and wood chips, driving prices for such materials upwards, especially during the winter in the Northern hemisphere. Climate change could also cause the spread of disease and pestilence into plantations and fiber sources, far beyond their traditional geographic spreads, increasing the risk that the wood supply necessary to our operations may be negatively impacted. If either of these phenomena intensifies, additional costs or supply shortages could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to the Transactions

The Acquisitions entitled certain of our customers and certain other business partners, to terminate their agreements as a result of change of control provisions.

The Fedrigoni Acquisition constituted a change of control under certain agreements entered into by the Fedrigoni Group. As of the Fedrigoni Acquisition Closing Date, counterparties' to the Fedrigoni Group's agreements became entitled to terminate such agreements, and some of these counterparties may exercise their termination rights, which could have an adverse effect on the revenues and business of the Fedrigoni Group.

The Cordenons Acquisition constitutes a change of control under certain agreements entered into by the Cordenons Group, including agreements with customers, suppliers and distributors. On the Cordenons Acquisition Closing Date, these counterparties will become entitled to terminate such agreements. Some of these counterparties may exercise their termination rights, which could have an adverse effect on the revenues and business of the Cordenons Group.

In the event of termination of any material contract as a result of the Acquisitions, there can be no assurance that we would be able to successfully replace the products or services that were provided under the relevant contract at attractive prices or at all. Likewise, if we were required to amend any such contract, we can provide no assurance that the terms of such amendment will not be materially adverse to us or will not otherwise impact our business or operations. Accordingly, any termination or amendment of a significant contract as a result of the change of control could materially or adversely affect our business and the ability to provide services to our customers. It is also possible that material supply contracts could be terminated or amended in other circumstances. If we fail to become a party to a material contract that historically has formed part of our business or any such arrangement is terminated, this could have a material adverse effect on our business, results of operations and financial condition.

We may have liabilities that are not known to us or greater than anticipated.

We may have liabilities that we failed or were unable to discover or that we underestimated in the course of performing due diligence investigations in connection with the Acquisitions. We may learn of additional information about Fedrigoni and/or Cordenons that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws and regulations. For example, we could become liable for overdue payables of Fedrigoni and/or Cordenons to suppliers and employees that are not currently known to us, or we could become subject to tax or pension liabilities in respect of historical periods that we are not currently aware of or the amount of which we underestimated or liabilities in respect of legal proceedings or intellectual property disputes or any proceedings relating to anti-corruption, sanctions, anti-money laundering and related laws and regulations. In conducting our due diligence, we have been required to rely on resources available to us, including public information and information provided by the Sellers and third-party advisers. In addition, our due diligence provided for materiality thresholds, a limited scope and a restricted perimeter. There can be no assurance that the due diligence we have undertaken has revealed or highlighted all relevant facts necessary or helpful in evaluating the Acquisitions. Furthermore, there can be no assurance as to the adequacy or accuracy of information, including financial information, provided during the due diligence exercise or that such information was accurate and remained accurate through the conclusion of the due diligence exercise. The due diligence process is inherently subjective. If the due diligence investigation failed to accurately determine or to identify material information regarding the Acquisitions, we may later be forced to significantly modify our business plan, write down or write off certain assets or incur impairment or other charges. Similarly, the materialization of certain risks, which may or may not be identified during due diligence, occur, it may lead to a loss of property, loss of value and, potentially, subsequent contractual and statutory liability to various parties.

Any of these events, individually or in the aggregate, could have a material adverse effect on our business, or on the financial condition and results of operations of the Issuer and our ability to fulfill our obligations under the Notes.

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

In connection with the Acquisitions, the Sellers have given certain customary representations and warranties in the Acquisition Agreements related to their shares, each company, as applicable, and each company's business, as applicable. Nonetheless, third-parties could seek to hold the Issuer responsible for any of the liabilities the Sellers have agreed to retain, and the Issuer may not be able to enforce any claims against the Sellers relating to breaches of these representations and warranties. The Sellers' liability under the Acquisition Agreements is very limited. Moreover, even if we are able to eventually recover any losses resulting from a breach of these representations and warranties, we may temporarily be required to bear these losses itself.

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

We intend to complete the Post-Completion Mergers in the medium-term following the New Notes Issue Date. The Post-Completion Mergers will be undertaken pursuant to the provisions of Article 2501-bis of the Italian Civil Code. In order to complete the Post-Completion Mergers, there are various steps that we must take, including the preparation of merger plans, reports by the directors of the companies involved in the Post-Completion Mergers (relazione dell'organo amministrativo) and reports by an independent expert appointed by the court, assessing the sustainability of debt at the level of the company resulting from the Post-Completion Mergers. Our estimation of the time frame required to complete the Post-Completion Mergers is based upon market practice for leveraged buyouts in Italy, which typically involve acquisition vehicles in the form of joint stock companies (società per azioni) where an independent expert is required to be appointed by the court, which creates an inherent uncertainty as to the length of time in which the Post-Completion Mergers can be expected to take place. In addition, there can be no assurance that the independent expert will release its report or that the other steps required for the Post-Completion Mergers will be taken in a timely manner, or at all. Subject to certain exceptions, the Post-Completion Mergers can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolutions approving the applicable Post-Completion Merger. Within this 60-day deadline, the creditors of the companies involved in a Post-Completion Merger are entitled to challenge the applicable Post-Completion Merger.

We may be unable to integrate Cordenons and Fedrigoni effectively and realize the potential and anticipated benefits from such acquisitions.

We cannot assure you that we will be able to integrate Cordenons and Fedrigoni effectively. If we cannot successfully integrate such acquisitions, we may not be able to realize the potential and targeted benefits from these acquisitions. In order to realize targeted annualized synergies and cost savings, we expect to make cash outlays, which may be higher than our estimated amount. Our targeted synergies and cost savings are based upon assumptions about our ability to implement these measures in a timely fashion and within certain cost parameters. Our ability to achieve our targeted synergies and cost savings is dependent upon a significant number of factors, some of which may be beyond our control. If one or more of our underlying assumptions regarding these projects proves to have been incorrect, these efforts could lead to substantially higher costs than planned and we may not be able to realize fully, or in the anticipated time frame, the expected benefits of our targeted synergies and cost savings. Synergies and cost savings from improved production processes may not be realized or sustained due to changes in customer needs, environmental law, the availability of raw materials, energy costs, difficulty in integrating employees due to different working cultures or other variables. The continued integration of Cordenons and Fedrigoni could have unintended consequences, such as the loss of key customers and suppliers. Our inability to realize the targeted cost savings, synergies and revenue enhancements from our recent acquisition could have a material adverse effect on our business, results of operations and financial condition.

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

The Sponsor indirectly controls the majority of the shares of the Issuer. As a result, the Sponsor has and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to influence the outcome of matters requiring action by our shareholder. Our 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. 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. The Sponsor may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, the Sponsor may hold interests in our suppliers or our customers. The Sponsor and its 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.

The Issuer does not currently control Cordenons and will not control Cordenons until completion of the Cordenons Acquisition, which could have operational consequences.

The Issuer will not control Cordenons and its subsidiaries until the Cordenons Acquisition Closing Date. The Cordenons Sellers may not operate the business of Cordenons during the interim period from the signing of the Cordenons Acquisition Agreement until the completion of the Cordenons Acquisition in the same way that we would.

Some information contained in this Offering Memorandum has been derived from public sources and, in the case of historical information relating to Cordenons, has been provided to us by third parties, Cordenons and their subsidiaries. The Issuer has relied on such information supplied to it in its preparation of this Offering Memorandum. Furthermore, the Cordenons Acquisition itself has required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business. Likewise, employees may be uncomfortable with the Cordenons Acquisition or feel otherwise affected by it, which could have an impact on work quality.

In addition, prior to the Cordenons Acquisition Closing Date, neither Cordenons nor any of its subsidiaries will be subject to the covenants described in "Description of the Notes" included in or to be included in the Indenture. As such, we cannot assure you that, prior to such date, Cordenons or any of its subsidiaries will not take any action that would otherwise have been prohibited by the Indenture had those covenants been applicable. Any of the risks associated with the Issuer's lack of control until the completion of the Cordenons Acquisition could have a material adverse effect on our business, results of operations and financial condition.

The Cordenons Acquisition Agreement may be amended in a manner that could be adverse to you.

The Cordenons Acquisition is expected to be consummated in accordance with the terms of the Cordenons Acquisition Agreement. The Cordenons Acquisition Agreement may be, however, amended at any time by the parties thereto, without the consent of holders of the New Notes, and any such amendment could be adverse to the holders of the New Notes. Furthermore, any amendments made to the Cordenons Acquisition Agreement may make the Cordenons Acquisition less attractive, which, in turn, could have a material adverse effect on our business, results of operations and financial condition. It is a condition to the settlement of the New Notes that the Cordenons Acquisition will have been consummated. The Initial Purchasers may waive such condition to the settlement of the New Notes in their sole discretion.

Risks Related to Our Capital Structure

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

After completion of the Transactions, we will be highly leveraged and have significant debt service obligations. As of March 31, 2018, after giving pro forma effect to the Transactions, we would have had total third-party financial indebtedness outstanding in the amount of €612.8 million, consisting of the Notes, the New Notes and certain working capital facilities. In addition, as of March 31, 2018, we had committed but undrawn capacity under our Revolving Credit Facility of €100.0 million and, after giving pro forma effect to the Transactions, we would have had €3.4 million outstanding and €121.1 million available for borrowing under certain working capital facilities, as well as receivables facilities and off-balance sheet obligations under exchange rate and guarantee arrangements. We anticipate that we will continue to be highly leveraged for the foreseeable future. See "Capitalization," "Description of Other Indebtedness" and "Description of the Notes."

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

- making it more difficult for us to satisfy our obligations with respect to the New Notes, the Revolving Credit Facility and other debt and liabilities we may incur;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development, or other general corporate purposes;
- restricting us from pursuing acquisitions or exploiting business opportunities;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate;
- negatively impacting credit terms with our suppliers and other creditors;
- increasing our exposure to interest rate increases because some of our indebtedness bears a floating rate of interest;
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged; and
- limiting our ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy the Issuer's obligations, including under the New Notes and the Revolving Credit Facility.

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

The Issuer is a holding company that has no revenue generating operations of its own and prior to the Fedrigoni Post-Completion Merger will depend on cash from the operating companies of the Group to be able to make payments on the New Notes and the Guarantees.

The Issuer is a holding company with no business operations other than management of the equity interests it holds in its subsidiaries. The Issuer is dependent upon the cash flow from its operating subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the New Notes and the Guarantees. Given our Group's international operations, we have a large number of operating subsidiaries and business participations, which individually contribute to our results. The amounts of dividends and distributions available to the Issuer will depend on the profitability and cash flows of its subsidiaries and the ability of each of those subsidiaries to declare dividends under applicable law. The Issuer's subsidiaries may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuer to make payments in respect of its indebtedness, including the New Notes and the Guarantees.

Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash to the Issuer. Applicable tax laws may also subject such payments to further taxation. Applicable laws may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, the ability of the Issuer's subsidiaries to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available to each of them and the ability to pay its debt when due. The subsidiaries of the Issuer that do not guarantee the Notes have no direct obligation to make payments with respect to the New Notes or the Guarantees. While the Indenture limits or will limit the ability of the Issuer's subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, these limitations are subject to significant qualifications and exceptions, including exceptions for restrictions imposed by applicable law.

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

Despite our substantial leverage, we may incur substantial additional debt in the future. The Issuer has the ability to borrow up to €100.0 million under the Revolving Credit Facility, which will be secured by the Collateral and security interests over certain other assets, and the Indenture also permits the incurrence of additional debt thereunder. The Indenture and the Revolving Credit Facility Agreement also permit the Issuer to incur a substantial amount of indebtedness at subsidiaries that do not guarantee the New Notes 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 our subsidiaries incur could be structurally or effectively senior to the New Notes to the extent that such subsidiaries do not guarantee the New Notes or secure the New Notes, and other debt could be secured or could mature prior to the New Notes. Although the Revolving Credit Facility Agreement and the Indenture 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 the Issuer's and its subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the Revolving Credit Facility Agreement and the Indenture do not prevent the Issuer from incurring obligations that do not constitute indebtedness under those agreements. The Issuer's inability to service its debt could have a material adverse effect on its business, financial position, results of operations and our ability to fulfil our obligations under the New Notes and the Guarantees.

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

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

- incur or guarantee additional indebtedness or issue certain preferred stock;
- make certain restricted payments and investments;

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

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

In addition, the Revolving Credit Facility Agreement requires us to comply with certain affirmative covenants while the Revolving Credit Facility remains outstanding. Furthermore, under certain circumstances, the Revolving Credit Facility Agreement requires us to comply with a financial ratio while amounts exceeding a certain threshold remain outstanding under the Revolving Credit Facility. See "Description of Other Indebtedness—Revolving Credit Facility Agreement." Our ability to meet the financial ratio under the Revolving Credit Facility may be affected by events beyond our control, and we cannot assure you that we will meet such financial ratio. A breach of any of the covenants or restrictions under the Revolving Credit Facility Agreement, including our failure to comply with the financial ratio when tested, could result in an event of default under the Revolving Credit Facility Agreement. Upon the occurrence of a payment event of default that is continuing under the Revolving Credit Facility Agreement, subject to the applicable cure period, and upon the acceleration of indebtedness with respect to any other event of default by the creditors under the Revolving Credit Facility Agreement, the relevant creditors could cancel the availability of the Revolving Credit Facility and elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, a default under the Revolving Credit Facility, including our failure to comply with the financial ratio, could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including (in the case of acceleration of obligations under the Revolving Credit Facility) the Indenture. If our creditors, including the creditors under the Revolving Credit Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries that would be due and payable and to make payments to enable us to repay the New Notes. In addition, if we are unable to repay those amounts, our creditors could proceed against any Collateral granted to them to secure repayment of those amounts.

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

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

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

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

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

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

Any failure to make payments on the New Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the New Notes, the Indenture and the Revolving Credit Facility, limit or will limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial position and results of operations. There can be no assurances that any assets that we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale would be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

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

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

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

Following allegations of manipulation of LIBOR, a measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Revolving Credit Facility, whose interest rate is linked to EURIBOR and LIBOR). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

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

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

Risks Related to the New Notes, the Guarantees and the Security Interests

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

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

The New Notes will not be initially secured by all of the Collateral and the Guarantors will not initially guarantee the New Notes.

On the New Notes Issue Date, the New Notes will not be secured by all of the Collateral, as further described under "Description of the Notes—Security." The Indenture requires us to take such necessary actions to secure the New Notes (subject to certain agreed security principles and certain perfection requirements) with the Collateral upon the occurrence of specific events, including the issuance of the New Notes, the Fedrigoni Post-Completion Merger and the Cordenons Post-Completion Merger. There can be no assurance, however, that we will be successful in procuring such liens within the time periods specified, the failure of which would result in an "event of default" under the Indenture. The security interests will be limited to the same extent as those under the Revolving Credit Facility and otherwise as set forth under "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests," which limitations could be significant. See also "—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral." It should be noted that if a guarantee or a security interest granted by the Guarantors in certain jurisdictions is granted or perfected after the secured obligation arose, such guarantee or security interest may be subject to clawback provisions under applicable local insolvency laws. See "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

Generally, claims of creditors of our subsidiaries, including trade creditors, will have priority with respect to the assets and earnings of that subsidiary over the claims of creditors of its parent entity, including claims by holders of the New Notes. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration, or other bankruptcy or insolvency proceeding of any of our subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity.

On the New Notes Issue Date, the New Notes will only be obligations of the Issuer and will not be guaranteed by Bianco Bidco, Fedrigoni or any of their subsidiaries. Subject to the Agreed Security Principles, the Guarantors are expected to guarantee the New Notes on the earlier of (i) the date on which the relevant Guarantor provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date. If the Fedrigoni Post-Completion Merger has not occurred by the Cut-Off Date, Fedrigoni will become a guarantor of the New Notes and will guarantee the New Notes on a senior secured and joint and several basis, subject to the limitations set forth under "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests." The Existing Notes Indenture requires us, subject to the Agreed Security Principles, to take such necessary actions so that the Guarantors become guarantors of the New Notes within 120 days from the Fedrigoni Merger Date by executing and delivering to the Trustee a supplemental indenture substantially in the form attached to the Indenture. As of and for the period ended March 31, 2018, the Guarantors, together with Fedrigoni, collectively accounted for 62.4% of the consolidated total assets (after interdivision eliminations), 55.9% of the consolidated sales revenues (after interdivision eliminations) and 66.8% of the consolidated Adjusted EBITDA (before interdivision eliminations) of the Fedrigoni Group. We also intend to merge Bianco Bidco and Cordenons, with Cordenons MergerCo being the surviving entity, in the Cordenons Post-Completion Merger. There can be no assurance that we will be successful in procuring such additional Guarantees within the time period specified. The Guarantees by the guarantors of the New Notes will be limited as set forth in "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

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

The Intercreditor Agreement includes provisions governing the sharing of proceeds from enforcement of the Collateral. Such enforcement proceeds are required to be turned over to the Security Agent after certain events, including the acceleration of the New Notes and the Existing Notes. The Security Agent is required to apply turned over amounts and other recoveries by the Security Agent from enforcement actions toward discharging the super senior obligations (including, among others, those under the Revolving Credit Facility, certain hedging obligations and future indebtedness that may be secured on a super senior basis (the "Super Senior Liabilities")) in priority to applying any such amounts toward discharging the New Notes and the Existing Notes. In addition, the Revolving Credit Facility will also be secured by a special lien (privilegio speciale) granted by Fedrigoni MergerCo over its present and future movable assets and such collateral will not be available to secure the New Notes or the Existing Notes pursuant to applicable Italian law and will be limited in amount to the obligations of Fedrigoni MergerCo as borrower under the Revolving Credit Facility from time to time. As any proceeds realized from the enforcement of the privilegio speciale will likely be insufficient to repay amounts under the Revolving Credit Facility. As such, in the event of a foreclosure of the Collateral, you may not benefit from such recoveries if the then outstanding claims under such Super Senior Liabilities are greater than the proceeds recovered. Any proceeds remaining from an enforcement sale of Collateral will, after all obligations under such Super Senior Liabilities have been discharged, be applied pro rata in repayment of the New Notes and the Existing Notes and any other indebtedness that ranks pari passu with the New Notes and the Existing Notes.

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

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

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

The Security Agent is not required to take enforcement action unless instructed to do so in accordance with the provisions described in the following paragraphs.

If either (i) the holders of the aggregate principal amount of the then outstanding New Notes and Existing Notes, the senior lenders, creditors in respect of indebtedness ranking pari passu with the senior creditors and creditors in respect of certain non-priority hedging obligations (the "Senior Secured Credit Participations") which aggregate more than 50% of the total Senior Secured Credit Participations at that time (the "Majority Senior Secured Creditors") or (ii) the creditors holding more than 50% of the total participations in Super Senior Liabilities at that time (the "Majority Super Senior Creditors") wish to issue enforcement instructions they shall deliver those instructions to the Security Agent and the other agents, trustees and hedge counterparties.

The Security Agent is required to act in accordance with instructions received from the Majority Senior Secured Creditors; however, (i) if and to the extent the obligations under the Super Senior Liabilities have not been fully discharged in cash within six months of enforcement instructions first being issued by either the Majority Senior Secured Creditors or the Majority Super Senior Creditors or (ii) if the Majority Senior Secured Creditors have not made a determination as to method of enforcement within three months of enforcement instructions first being issued by either the Majority Senior Secured Creditors or the Majority Super Senior Creditors, then the enforcement instructions provided by the Majority Super Senior Creditors will prevail.

If the Majority Senior Secured Creditors have not made a determination as to the method of enforcement of the Transaction Security they wish to instruct the Security Agent to pursue (and notified the Security Agent of that determination in writing) and the Majority Super Senior Creditors (i) determine in good faith that a delay in issuing enforcement instructions could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Transaction Security or on the expected realization proceeds of any enforcement of the Transaction Security and (ii) deliver enforcement instructions that they reasonably believe to be consistent with the enforcement principles contained in the Intercreditor Agreement and necessary or advisable to enhance the prospects of achieving the enforcement objective described therein before the Security Agent has received any enforcement instructions from the Majority Senior Secured Creditors, then the Security Agent will act in accordance with the enforcement instructions received from the Majority Super Senior Creditors until the Super Senior Liabilities are discharged.

If at any time an insolvency event has occurred with respect to any debtor (other than an insolvency event that is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors), the Security Agent shall act to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from the Majority Super Senior Creditors until the Super Senior Liabilities are discharged.

If the Majority Senior Secured Creditors or the Majority Super Senior Creditors (as applicable) do not instruct the Security Agent to enforce, or instruct the Security Agent to cease enforcing the transaction security, then creditors holding more than 50% of the total second lien credit participations (or, in certain cases, creditors holding 50% of the total TopCo credit participations) may instruct the Security Agent to enforce.

The Security Agent may also refrain from acting in accordance with any instructions until it has been indemnified and/or secured to its satisfaction that it may in its discretion require for any cost, loss or liability which it may incur in complying with those instructions.

To the extent we incur additional indebtedness that is secured on a pari passu basis with the Notes, the voting interest of holders of New Notes and Existing Notes in an instructing group will be diluted commensurate with the amount of indebtedness we incur.

The creditors of any Super Senior Liabilities may have interests that are different from the interests of holders of the New Notes and the Existing 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 New Notes and the Existing Notes to do so. In addition, if the Security Agent sells Collateral consisting of the shares of any of the Issuer's subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Guarantees and the liens over any other assets of such entities securing the New Notes and the Existing Notes and the Guarantees may be released. See "Description of Other Indebtedness—Intercreditor Agreement" and "Description of the Notes—Security—Release of Liens."

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

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

The New Notes will be secured only to the extent of the value of the Collateral. See "Description of the Notes—Security." Not all of our assets will secure the New 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 New Notes. If an event of default occurs and the obligations under the New Notes are accelerated, the New Notes and the Guarantees thereof will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Issuer and its restricted subsidiaries with respect to any property or assets excluded from the Collateral securing the New Notes.

While the Indenture creates certain obligations to provide additional guarantees and grant additional security over assets, or a particular class of assets, whether as a result of granting liens in favor of other indebtedness or the acquisition or creation of future assets or subsidiaries or otherwise, such obligations are subject to certain agreed security principles. Such agreed security principles set forth or to be set forth in the Indenture set out a number of limitations on the rights of the holders of the New Notes to be granted security or guarantees in certain circumstances. The operation of such agreed security principles may result in, among other things, the amount recoverable under any Collateral provided being limited or security not being granted over a particular type or class of assets. Accordingly, such agreed security principles may affect the value of the security or guarantees provided by the Issuer and the guarantors of the New Notes.

The principal amount of the Funding Loans forming part of the Collateral may be less than anticipated as a result of prepayments of such loan prior to the maturity date of the Existing Notes and the New Notes.

On April 16, 2018, the Issuer entered into the Fedrigoni Funding Loan, the proceeds of which were used by Fedrigoni, together with cash on balance sheet, to repay the Fedrigoni Existing Debt. On or about the Cordenons Acquisition Closing Date, the Issuer will enter into the Bianco Funding Loan, the proceeds of which will be used by Bianco Bidco to purchase all of the issued and outstanding share capital of Cordenons and grant a funding (via the Cordenons Funding Loan) to Cordenons to allow the latter to refinance the Cordenons Existing Debt and pay related fees and expenses. The receivables relating to the Funding Loans will form part of the Collateral. Repayments of the Funding Loans prior to the maturity date of the Notes and would result in a reduction in the principal amount of the Funding Loans, and the Indenture does not prohibit the Issuer from making prepayments of amounts outstanding under the Funding Loans prior to the maturity date of the Notes. Any reduction in the principal amount of the Funding Loans would reduce the value of such receivable and the Collateral.

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

If we default on the New Notes, holders of the New Notes will be secured only to the extent of the value of the assets underlying the security interests granted in favor of holders of the New Notes. In the event of an enforcement of the security interests in respect of the Collateral, the proceeds from the sale of the assets underlying the Collateral may not be sufficient to satisfy the Issuer's obligations with respect to the New Notes. The Collateral provided as security for the New Notes is limited to liens granted over the shares of the Issuer, Fedrigoni and the Guarantors and over intercompany structural loans and to liens over material bank accounts of the Issuer and Fedrigoni MergerCo. See "Description of the Notes—Security." Trade receivables, inventories, intellectual property rights, real property or other assets of the Issuer and the Restricted Subsidiaries will not constitute part of the Collateral. No appraisal of the value of the Collateral has been made in connection with this Offering. The value of the assets underlying the pledges will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

The shares and other Collateral that is pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the New Notes, in part because most of such collateral may not be liquid and its value to other parties may be less than their value to us. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. In the event of foreclosure, the transfer of our business operations may be prohibited or only permitted to a limited group of investors eligible to hold such assets, thereby decreasing the pool of potential buyers. Furthermore, entry into the Security Documents, enforcement of the Collateral and any transfer of our operations may require, in certain jurisdictions, governmental or other regulatory consents, approvals or filings or might otherwise be challenged. Such consents, approvals or filings may take time to obtain or may not be obtained at all. As a result, enforcement may be delayed, a temporary shutdown of operations may occur and the value of the Collateral may be significantly decreased. Most of our assets will not secure the New Notes and it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by such Collateral. With respect to any shares of our subsidiaries pledged to secure the New Notes and the Guarantees thereof, such shares may also have limited value in the event of bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of this Collateral may decline over time. If the proceeds of the Collateral are insufficient to repay all amounts due on the New Notes, the holders of the New Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would have only a senior unsecured, unsubordinated claim against the Issuer's and the Guarantors' remaining assets.

The Indenture also permits the granting of certain liens other than those in favor of the holders of the New Notes on the Collateral. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Indenture or the Security Documents, such holders or third parties may have rights and remedies with respect to such assets which, if exercised, could reduce the proceeds available to satisfy our obligations under the New Notes. In particular, security interests in the Collateral may be released if a lien is granted on the Collateral in favor of other indebtedness so long as such lien is a Permitted Lien (as defined under "Description of the Notes—Certain Definitions—Permitted Liens"). Moreover, if we issue additional Notes under the Indenture, holders of such Notes would benefit from the same collateral as the holders of the New Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral.

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

The granting of the Guarantees and security interests to secure the New Notes and the Revolving Credit Facility (including the Post-Merger Collateral) may create hardening or voidance periods for such Guarantees and security interests in certain jurisdictions. The granting of shared security interests to secure future indebtedness or the transfer or the assignment of the security interest may restart or reopen hardening periods in certain jurisdictions, including Italy. The applicable hardening or voidance period for these new security interests can run from the moment each new security interest has been granted, perfected, amended, shared or recreated (as applicable). At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

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

Enforcing your rights as a holder of the New Notes or under the Guarantees thereof or the Collateral across multiple jurisdictions may prove difficult.

The Issuer is and, following the Fedrigoni Post-Completion Merger, Fedrigoni MergerCo will be, incorporated under the laws of Italy. Fedrigoni is also incorporated under the laws of Italy. The Guarantors are incorporated or organized under the laws of Italy and Spain. The Collateral includes the shares of certain of our subsidiaries incorporated under the laws of Italy and Spain and certain present and future intercompany loan receivables held by the Issuer and certain of its subsidiaries in respect of debtors in those jurisdictions. In the event of bankruptcy, insolvency, administration or a similar event, proceedings could be initiated in either of these jurisdictions. Your rights under the New Notes, the Guarantees and the Collateral are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings. In addition, the multi-jurisdictional nature of enforcement over the Collateral may limit the realizable value of the Collateral.

The insolvency, administration and other laws of the jurisdiction of organization of the Issuer and the Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the guarantees and the security documents in these jurisdictions or limit any amounts that you may receive. See "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

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

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the New Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law.

The security interests that will secure the obligations of the Issuer under the New Notes and the obligations of the guarantors of the New Notes under the Guarantees will not be granted directly to the holders of the New Notes but to the Security Agent, and thus the holders of the New 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 New Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the New Notes will have limited remedies and recourse against us in the event of a default. See "Description of Other Indebtedness—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. 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 New 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. In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the relevant Security Agent ("Parallel Debt") mirroring the obligations of the Issuer and the Guarantors owed to holders of the New Notes under or in connection with the Indenture, as applicable ("Principal Obligations"). All or part of the pledges and other security interests in such jurisdictions will be granted to the Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations. 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 New 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 New Notes will bear the risk of insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt construct has not been tested under law in certain of these jurisdictions and to the extent that the security interests in the Collateral created under the Parallel Debt construct are not validly granted, are unenforceable or are successfully challenged by other parties, holders of the New Notes will not receive any proceeds from an enforcement of such security interests in the Collateral. See "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

For example, in Italy this Collateral will not be granted directly to the holders of the New Notes but will be created and perfected in favor of the Security Agent, acting also in its capacity as representative (rappresentante) pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of an agent (rappresentante) of the holders of the New 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 New 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 New Notes could be subject to potential challenges by an insolvency administrator or by other creditors of the Issuer under the rules of avoidance or claw back of Italian insolvency laws and the relevant law on the non-insolvency avoidance or claw back of transactions by the debtor made during a certain legally specified period (the "suspect period"). A longer period may apply to any Collateral governed by Italian law which may be granted after the Offering.

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

In Spain, Spanish law does not recognize the concepts of "trust" or "security agent" and there is some uncertainty as to whether a Spanish court would recognize the authority of a security agent (including the Security Agent) and whether this would cause delays in the enforcement and the consequences of not being able to enforce the collateral as provided in the relevant security agreements. Although this by itself does not prohibit appointing the Security Agent and/or the applicable Trustee, the absence of regulation creates uncertainty as to how a Spanish court would recognize the Security Agent and/or the applicable Trustee's actions in an enforcement situation. Some legal scholars argue that a security agent (such as the Security Agent) or a trustee (such as the applicable Trustee) would only be entitled to enforce its portion of the secured obligation but not that of the other secured parties. Therefore, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent and/or the applicable Trustee, and enforcement thereof by the Security Agent and/or the applicable Trustee, may be subject to a due and express power of attorney granted by each of the secured parties in favor of the Security Agent and/or the Trustee for such purpose, duly notarized and legalized (and, if applicable, duly apostilled in accordance with the Hague Convention of October 5, 1961).

Likewise, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent, in its capacity as joint and several creditor (acreedor solidario) of the secured parties, has not been tested before the Spanish courts. Moreover, the structure of joint and several creditor is not expressly contemplated under Spanish law in a situation in which the joint and several creditor does not hold a portion of the secured obligation itself. As a result, the ability of the Security Agent to represent the applicable Trustee and the holders of the New Notes may be challenged.

In case of insolvency of any guarantor of the New Notes, the enforcement of any collateral provided by such guarantor of the New Notes may be subject to certain restrictions. See "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

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

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security, as applicable. The liens on the Collateral securing the New Notes may not be perfected with respect to the claims of the New Notes if we fail or are unable to take the actions necessary to perfect any of these liens. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest or adversely affect the priority of such security interest in favor of the New Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. The

Trustee and the Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

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

Under a variety of circumstances, the Collateral securing the New Notes will be released automatically, including a sale or other disposition of such Collateral in a transaction that does not violate the asset sale covenant of the Indenture, and in connection with an enforcement sale permitted under the Intercreditor Agreement. The Indenture also permits, us to designate one or more restricted subsidiaries that are guarantors of the New Notes as unrestricted subsidiaries. If we designate a guarantor of the New Notes as an unrestricted subsidiary for purposes of the Indenture, all of the liens on the Collateral owned by such subsidiary and any guarantees of the New Notes by such subsidiary will be released under the Indenture, subject to certain conditions. Designation of an unrestricted subsidiary as such will reduce the aggregate value of the Collateral securing the New Notes to the extent of liens securing the shares of such unrestricted subsidiary or of its subsidiaries.

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

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

The insolvency laws of Italy and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

Our obligations under the New Notes will be secured by security interests over the relevant Collateral. Upon the initial issuance of the New Notes on the New Notes Issue Date, the New Notes will only be obligations of the Issuer and will not be guaranteed by Fedrigoni, Cordenons or any of their subsidiaries. Subject to the Agreed Security Principles, the Guarantors are expected to enter into a supplemental indenture to become a party to the Indenture and guarantee the Notes on a senior secured, joint and several basis on the earlier of (i) the date on which the relevant Guarantor provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date. If the Fedrigoni Post-Completion Merger has not occurred by the Cut-Off Date, Fedrigoni will enter into a supplemental indenture to become a party to the Indenture and guarantee the New Notes on a senior secured and joint and several basis. The Issuer is incorporated under the laws of Italy and the Guarantors are incorporated or organized under the laws of Italy and Spain. There is a rebuttable presumption that the "centre of main interest" as defined in Regulation (EU) No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on Insolvency Proceedings is the jurisdiction where the registered office is situated. In addition, the Collateral will include a pledge over the shares in certain of the Issuer, Fedrigoni MergerCo and the Guarantor, companies which are incorporated under the laws of Italy and Spain, as applicable, and pledges of certain present and future intercompany loan receivables.

The insolvency laws of foreign jurisdictions may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that any one or more of the Issuer, the Guarantors or any other of the Issuer's subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Although laws differ among the jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer, the enforceability of a Guarantee against a guarantor of the Notes and the enforceability of the security interests in the Collateral (the "Security Interests"). In certain circumstances the court may also void the Security Interests or the Guarantee if the company is close to or near insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of the guarantor of the Notes or the appointed insolvency administrator may challenge the guarantees and the Security Interests, and intercompany obligations generally, as preferences, transaction at an undervalue, invalid charges, fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a guarantor's obligations under its Guarantee or the Security Interests provided by such security provider;
- direct that the Issuer and the holders of the Notes return any amounts paid under a Guarantee or any Security Interest to the relevant guarantor of the Notes or security provider or to a fund for the benefit of the guarantor's or security provider's creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Guarantee or Security Interest is found to be a preference, transaction at an undervalue, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the New Notes. In addition, the liability of each guarantor of the Notes or security provider under its Guarantee or the Security Interests will be limited to the amount that will result in such guarantee or Security Interests not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. The amount recoverable from the guarantors of the New Notes and security providers under the Security Documents will also be limited. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each. There is also the possibility that the entire Guarantee or Security Interest may be set aside, in which case the entire liability may be extinguished. See "—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral."

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts would, for example, need to find that, at the time the Guarantees were issued or the Security Interests created, the guarantor of the Notes or security provider:

- issued such Guarantee or created such Security Interest with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security after its insolvency;
- issued such Guarantee or created such Security Interest in a situation where a prudent business person as a shareholder of such guarantor of the Notes or security provider would have contributed equity to such guarantor of the Notes or security provider or where the relevant beneficiary of the Guarantee or Security Interest knew or should have known that the guarantor of the Notes or security provider was insolvent or a filing for insolvency had been made; or
- received less than reasonably equivalent value for incurring the debt represented by the Guarantee or Security Interest on the basis that the Guarantee or Security Interest were incurred for our benefit, and only indirectly the guarantor's or security provider's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Guarantee or the creation of the

Security Interest, or subsequently became insolvent for other reasons, (ii) was engaged, or was about to engage, in a business transaction for which the guarantor's or security provider's assets were unreasonably small or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

Different jurisdictions evaluate insolvency on various criteria, but a guarantor of the Notes or security provider generally may, in different jurisdictions, be considered insolvent at the time it issued a Guarantee or created any Security Interest if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

Although we believe that we and Cordenons are solvent, and will be so after giving effect to the Transactions, there can be no assurance as to which standard a court would apply in determining whether a guarantor of the Notes or security provider was "insolvent" as of the date the Guarantees were issued or the Security Interests were created or that, regardless of the method of valuation, a court would not determine that a guarantor of the Notes or security provider was insolvent on that date, or that a court would not determine, regardless of whether or not a guarantor of the Notes or security provider was insolvent on the date its Guarantee was issued or the Security Interests were created, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

For an overview of certain insolvency laws and enforceability issues as they relate to the Guarantees and Security Interests, see "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

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

The Guarantors are incorporated or organized under the laws of Italy and Spain. Moreover, if the Fedrigoni Post-Completion Merger has not occurred by the Cut-Off Date, Fedrigoni will become a guarantor and will guarantee the Notes on a senior secured and joint and several basis. Fedrigoni is incorporated and organized under the laws of Italy. Enforcement of the obligations under a Guarantee against, and/or any Collateral provided by, as applicable, any such guarantor of the Notes will be subject to certain defenses available to the Issuer or the relevant guarantor or the security provider, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance, liquidity maintenance or similar laws as well as regulations or defenses affecting the rights of creditors generally, by limiting the amounts recoverable under the Guarantees and Collateral, as applicable, and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by a particular guarantor of the Notes or security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Guarantee or Collateral is not in the relevant guarantor's or security provider's corporate interests, or the burden of such Guarantee or Collateral exceeds the benefit to the relevant guarantor or security provider, or such Guarantee or Collateral would be in breach of capital maintenance, financial assistance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability. An increase in the amount of debt that benefits from such Guarantee without a corresponding increase in the amount of the Guarantee will dilute the value of such Guarantee to its beneficiaries, including the holders of the New Notes.

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

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

Under the laws of certain jurisdictions, collateral granted in favor of holders of the New Notes may not rank pari passu with the collateral granted in favor of holders of the Existing Notes, and we are relying on the Intercreditor Agreement to achieve an equal priority lien in respect of such collateral.

We will enter into new security documents or, as the case may be, extensions and/or confirmations of existing security documents (the "Security Documents") in respect of the Collateral related to the additional debt represented by the New Notes. In certain jurisdictions, the security granted under those additional Security Documents will or may, because they are being granted at a later point in time, rank junior to security interests in the collateral granted in favor of the Existing Notes and the Revolving Credit Facility. Pursuant to the terms of the Intercreditor Agreement, and, in certain cases, the terms of the Security Documents, the New Notes will be deemed to be secured by the applicable Security Documents on a pari passu basis with the Existing Notes and the Revolving Credit Facility, although due to local law requirements certain security securing the New Notes will or may be junior ranking in rem to the security securing the Existing Notes. Creditors of the grantors of those security interests or an appointed insolvency administrator may contest the validity and/or enforceability of such security interests. If any of the applicable security providers were to be declared insolvent by a competent court, the court would establish a period before the declaration of insolvency within which the court-appointed bankruptcy receiver will have to consider any transactions entered into during this "hardening period" and may petition to have such transactions declared void and/or unenforceable. Therefore, the ranking of collateral granted in favor of holders of the New Notes in such jurisdictions will depend on the enforceability of the Intercreditor Agreement. As a result, if the Intercreditor Agreement is found to be invalid or unenforceable for any reason, or if an administrator refuses to give effect to it, the Collateral granted in favor of holders of the New Notes in these jurisdictions may rank behind any other existing collateral granted in favor of the Existing Notes and the Revolving Credit Facility.

The Guarantees, when granted following the Fedrigoni Merger Date, will be significantly limited by applicable laws and are subject to certain limitations and defenses.

On the earlier of (i) the date on which the relevant Guarantor provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date, the Guarantors will guarantee the prompt payment of the Notes. Moreover, if the Fedrigoni Post-Completion Merger has not occurred by the Cut-Off Date, Fedrigoni will become a guarantor and will guarantee the Notes on a senior secured and joint and several basis. See "Description of the Notes—Security." The Guarantees provide the holders of the Notes with a direct claim against the guarantor. However, the obligations of each of the Guarantors under its Guarantee are or will be limited under the Indenture to an amount which has been determined so as to ensure that amounts payable will not result in violations of applicable laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value, or otherwise cause a guarantor of the Notes to be deemed insolvent under applicable law or such Guarantee to be deemed void, unenforceable or ultra vires, or cause the directors of such guarantor to be held in breach of applicable corporate or commercial law for providing such Guarantee.

In addition to the above, under article 1938 of the Italian Civil Code, if a corporate guarantee 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). 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. In light of the above, pursuant to Article 1938 of the Italian Civil Code, the maximum amount that each of the guarantors incorporated under the laws of Italy may be required to pay in respect of its obligations as guarantor under the Indenture shall not exceed, in any case, an amount equal to 120% of the outstanding principal amount of the Existing Notes or the New Notes, as applicable.

As a result, a guarantor's liability under its Guarantee could be materially reduced or eliminated depending upon the amount of its obligations and upon applicable laws. For more information, see "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests."

The Guarantee of Arconvert S.A. (or any Spanish guarantor of the Notes) may be subject to certain limitations, including financial assistance limitations. See "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests." Spanish law prohibits financial assistance (i) for public limited liability companies (sociedades anónimas (S.A.)) in relation to the acquisition of their own shares or the shares of any direct or indirect parent company, and (ii) for private limited liability companies (sociedades de responsabilidad limitada (S.L.)), in relation to the acquisition of their own shares and the shares of any member of their corporate group. Therefore, Spanish law governed guarantees or security interests granted or assumed by subsidiaries incorporated under the laws of Spain shall not extend to any payment obligation incurred by the Issuer for the purpose of acquiring the shares of Arconvert S.A. or the shares of its direct or indirect parent company or, as applicable, any member of their group, to the extent that such security interest would constitute unlawful financial assistance within the meaning of Article 150 and 143 of Spanish Decree 1/2010 dated July 2 on Spanish Corporations (Ley de Sociedades de Capital). This limitation may also apply to the refinancing of acquisition debt, although this is widely debated between academics. Accordingly, any guarantee or security interest granted by any Spanish guarantor of the Notes shall not apply to the extent the proceeds are used to repay existing indebtedness of the Issuer if such existing indebtedness was used for the purposes described above. No whitewash procedures are available. Accordingly, the guarantee granted by any Spanish guarantor of the New Notes will be limited by the amount of the funds that are not used for unlawful financial assistance purposes.

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

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

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

The New Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Notes (as defined below) will trade in book entry form only, and the New Notes in definitive registered form, or Definitive Registered Notes (as defined below), will be issued in exchange for book entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the Global Notes representing the New Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book entry interests in the Global Notes representing the New Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, none of the Issuer, the Trustee, the Transfer Agent, the Registrar or the Paying Agent will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if investors own a book entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of the New Notes under the Indenture.

Unlike the holders of the New Notes themselves, owners of book entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the New Notes. Instead, if an investor owns a book entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all book entry interests, if investors own book entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "Book-Entry; Delivery and Form."

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

We cannot assure you as to:

- the liquidity of any market in the New Notes;
- your ability to sell your New Notes; or
- the prices at which you would be able to sell your New Notes.

Future trading prices of the New Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the New Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the New Notes. Any such disruption may have a negative effect on you, as a holder of New Notes, regardless of our prospects and financial performance. The Initial Purchasers have advised that they intend to make a market in the New Notes after completing the Offering. However, they have no obligation to do so and may discontinue market making activities at any time without notice. In addition, such market making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations.

The New Notes and the Guarantees will be structurally subordinated to the claims of creditors, including depositors, trade creditors and preferred stockholders (if any), of our non-guarantor subsidiaries.

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

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

As such, the New Notes and the Guarantees will be structurally subordinated to the creditors, including depositors, trade creditors and any preferred stockholders (if any) of the non-guarantor subsidiaries of the Issuer. As of March 31, 2018, after giving effect to the Transactions, the subsidiaries of Fedrigoni that are not expected to guarantee the New Notes would have had approximately €0.8 million of third-party debt outstanding. In addition, the Indenture, subject to certain limitations, permits or will permit these non-guarantor subsidiaries to incur substantial additional indebtedness without such incurrence constituting a default under the Indenture, and such indebtedness may also be secured. The Indenture does not or will not contain any limitation on the amount of other liabilities, such as deposits and trade payables that may be incurred by these subsidiaries.

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

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

Additionally, there is uncertainty as to whether the courts of foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Issuer, the Guarantors and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the United States federal and state securities laws. For further information see "Service of Process and Enforcement of Civil Liabilities."

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

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

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

In connection with certain tender offers for the New Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will also have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "Description of the Notes—Optional Redemption."

Upon an IPO Debt Pushdown, certain Notes Guarantees and Collateral may be released, any retaken Collateral may be subject to hardening periods, and U.S. Holders may have U.S. federal income tax consequences.

Under certain circumstances, we may undertake an IPO Pushdown. See "Description of the Notes—IPO Pushdown." Upon consummation of the IPO Pushdown (as defined in "Description of Other Indebtedness"), amongst other things, references to the Senior Secured Group (and all related provisions) in the Indenture shall apply only to the IPO Pushdown Entity (as defined in "Description of Other Indebtedness") and its Restricted Subsidiaries from time to time. Upon such substitution, each holding company of the IPO Pushdown Entity shall be released from all obligations under the Debt Documents (including any Transaction Security) and each Subordinated Creditor, Third Party Security Provider, Investor (as defined in the Revolving Credit Facility Agreement) or Topco Independent Obligor will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity. Subject to the consent of the majority lenders under and as defined in the Senior Lender Liabilities, noteholders representing more than 50% of any Senior Secured Notes Liabilities, the majority lenders under and as defined in any Second Lien Facility Agreement, noteholders representing more than 50% of any Second Lien Notes Liabilities, the majority lenders under and as defined in any Topco Facility and noteholders representing more than 50% of any Topco Notes Liabilities (following the relevant IPO), each subsidiary of the IPO Pushdown Entity shall also be released from all obligations as Debtor and guarantor under the Debt Documents and from the Transaction Security (other than, in each case, borrowing liabilities). Each party to the Intercreditor Agreement shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate such matters.

In such a case, any new security documents in respect of Collateral to be retaken and that will remain in place following an IPO Pushdown, may need to be executed and be subject to new hardening periods. In addition, the IPO Pushdown may result in a deemed exchange of the Notes for U.S. federal income tax purposes, depending upon the specific circumstances of the IPO Pushdown, and may have tax consequences for U.S. Holders (as defined in "Certain Taxation Considerations—Certain United States Federal Income Tax Considerations"). See "Certain Taxation Considerations—Certain United States Federal Income Tax Considerations."

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

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

The New Notes may be issued with original issue discount for U.S. federal income tax purposes and therefore may not be fungible with the Existing Notes for U.S. federal income tax purposes.

The stated principal amount of the New Notes may exceed their issue price by an amount equal to or greater than a statutorily defined de minimis amount, in which case, the New Notes would be considered to be issued with OID (on a standalone basis) for U.S. federal income tax purposes. If the New Notes are issued with OID and are not otherwise considered to be fungible with the Existing Notes for U.S. federal income tax purposes, then, in addition to the stated interest on the New Notes, a U.S. Holder (as defined in "Certain Taxation Considerations—Certain United States Federal Income Tax Considerations") will generally be required to include the OID on such New Note in gross income (as ordinary income) as it accrues on a constant yield-to-maturity basis for U.S. federal income tax purposes, in advance of the receipt of the cash payments to which such OID is attributable and regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. See "Certain Taxation Considerations—Certain United States Federal Income Tax Considerations." The New Notes are expected to be fungible for U.S. federal income tax purposes.

The merger of the Issuer and Fedrigoni and the assumption of obligations under the Notes by the resulting entity may be treated as a taxable exchange for U.S. federal income tax purposes.

If the conditions for the Fedrigoni Post-Completion Merger are met, the Issuer will merge with Fedrigoni, with Fedrigoni MergerCo being the surviving entity. Fedrigoni MergerCo, as the surviving entity, will assume the obligations of the Issuer under the Notes. Although the issue is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. It is possible, however, that the IRS could take a contrary view, and seek to treat the Fedrigoni Post-Completion Merger and the assumption of the obligations under the Notes by Fedrigoni as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. Holders (as defined in "Certain Taxation Considerations—Certain United States Federal Income Tax Considerations") would recognize gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the Fedrigoni Post-Completion Merger is less than the principal amount of such Notes (by more than a statutorily defined de minimis amount), such Notes may be treated as issued with OID. Please see "Certain Taxation Considerations—Certain United States Federal Income Tax Considerations."

You may face foreign currency exchange risks or other tax consequences as a result of investing in the New Notes.

The New Notes will be denominated and payable in euro. If you are a U.S. investor, an investment in the New Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the U.S. dollar because of economic, political and other factors over which we have no control. Depreciation of the euro against the U.S. dollar could cause a decrease in the effective yield of the New Notes below their stated coupon rates and could result in a loss to U.S. investors on a U.S. dollar basis. Investing in the New Notes by U.S. investors may have other significant tax consequences. See "Certain Taxation Considerations—Certain United States Federal Income Tax Considerations."

The tax regime applicable to the New Notes is subject to a listing requirement.

No assurance can be given that the listing of the New Notes will be maintained or that such listing will satisfy the listing requirement under Decree No. 239/1996 in order for the New Notes to be eligible to benefit from the exemption from the requirement to apply withholding tax. If the New Notes are not listed or that listing requirement is not satisfied, payments of interest, premium and other income with respect to the New Notes would be subject to a withholding tax currently at a rate of 26%.

Recent changes in U.S. federal income tax law may affect the tax treatment of the New Notes.

All statements contained in this Offering Memorandum concerning the U.S. federal income tax (or other tax) consequences of the purchase, ownership and disposition of the Notes are based on existing law and interpretations thereof. Recent changes in U.S. federal income tax law could materially affect the tax consequences to U.S. Holders (as defined in "Certain Taxation Considerations—Certain United States Federal Income Tax Considerations") of the purchase, ownership and disposition of the New Notes. The effect of certain provisions of the new legislation is uncertain and future administrative guidance may result in additional changes. Accordingly, no assurance can be given that the currently anticipated tax treatment of the purchase, ownership and disposition of the New Notes will not be modified by legislative, judicial, or administrative changes, possibly with retroactive effect, to the detriment of a holder.

USE OF PROCEEDS

We estimate that the gross proceeds from the Offering will be €121.3 million (excluding prefunded interest). Such proceeds will be used, together with cash on hand, to repay amounts outstanding under the Cordenons Bridge Facilities, including accrued interest thereon. The Issuer used or will use the gross proceeds from the Cordenons Bridge Facilities, together with cash on hand, to finance the Cordenons Acquisition (via the Bianco Funding Loan), to repay the Cordenons Existing Debt no later than 180 days from the Cordenons Acquisition Closing Date (via the Cordenons Funding Loan) and to pay fees and expenses in connection therewith. See "*Summary—The Transactions*."

The estimated sources and uses of the funds necessary to complete the Cordenons Refinancing are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences in the actual amount of fees and expenses compared to our estimates.

Sources of Funds	**Amount (€ million)**	**Uses of Funds**	**Amount (€ million)**
Notes offered hereby[(1)]	121.3	Repayment of the Cordenons Bridge Facilities[(2)]	125.2
Cash on hand at the Issuer	3.9		
Total Sources	**125.2**	**Total Uses**	**125.2**

(1) Does not reflect the interest that would have accrued on the New Notes if they had been issued on May 11, 2018 to the New Notes Issue Date.

(2) Represents the aggregate principal amount of indebtedness outstanding under the Cordenons Bridge Facilities, plus estimated accrued and unpaid interest on the Cordenons Bridge Facilities through the New Notes Issue Date.

CAPITALIZATION

The following tables should be read in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Other Indebtedness" and the Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum.

The following table sets forth the cash and cash equivalents and the capitalization as of March 31, 2018 for the Issuer and on an as adjusted basis to give effect to the consummation of the Transactions and the application of the proceeds from the Offering as described in "Use of Proceeds," as if they had occurred on March 31, 2018. Unless otherwise noted, the adjustments column does not give effect to amounts borrowed or repaid after March 31, 2018.

	As of March 31, 2018		
(€ million)	**Actual**	**Adjustments**	**As adjusted for the Transactions**
Cash and cash equivalents(1)	**35.8**	**(15.9)**	**19.9**
Revolving Credit Facility(2)	—	—	—
Existing Notes(3)	—	455.0	455.0
New Notes offered hereby(4)	—	125.0	125.0
Fedrigoni Existing Debt(5)	113.1	(109.7)	3.4
Finance leases(6)	3.9		3.9
Total Gross Financial Debt	**117.0**		**587.3**
Shareholders' Equity	454.2		195.5
Total capitalization	**571.2**		**782.8**

(1) The adjustments represent (i) the repayment after March 31, 2018 but prior to the Fedrigoni Acquisition Closing Date by the Fedrigoni Seller of a loan from Fedrigoni in the amount of €3.0 million, (ii) the repayment after March 31, 2018 but prior to the Fedrigoni Acquisition Closing Date of €25.5 million of Fedrigoni Existing Debt with cash on hand, (iii) adjustments for the Fedrigoni Acquisition representing €19.5 million cash added to the balance sheet of the Issuer through overfunding of the Fedrigoni Bridge Facilities and €8.1 million in fees paid in connection with the Fedrigoni Acquisition and the issuance of the Existing Notes, (iv) additional drawings of €24 million under certain working capital lines at the Fedrigoni Group, and (v) adjustments for the Transactions as described under "*Summary—The Transactions*" and "*Use of Proceeds*."

(2) The Revolving Credit Facility Agreement provides for a Revolving Credit Facility in an amount of €100.0 million, which is available for cash and other drawings. The Revolving Credit Facility is expected to be undrawn as of the New Notes Issue Date. See "Description of Other Indebtedness—Revolving Credit Facility Agreement."

(3) Represents the aggregate principal amount of the Existing Notes (excluding any capitalized debt issuance costs).

(4) Represents the aggregate principal amount of the New Notes offered hereby (excluding any capitalized debt issuance costs).

(5) Includes working capital lines in respect of the Fedrigoni Group, which working capital lines will remain committed and with amounts outstanding on the New Notes Issue Date in respect of the Fedrigoni Group; and excludes obligations under the Fedrigoni Group's off-balance sheet exchange rate and guarantee arrangements. The amount in the adjustment column reflects (i) the repayment prior to the Fedrigoni Acquisition Closing Date of €25.5 million in aggregate principal amount of Fedrigoni Existing Debt with cash on hand or cash generated by the Fedrigoni Group and additional drawings of €24.0 million under certain working capital lines and (ii) the repayment of Fedrigoni Existing Debt in connection with the Fedrigoni Acquisition, including €84.2 million repaid in connection with the Fedrigoni Acquisition. Amounts incurred or repaid in the ordinary course of business following March 31, 2018 in respect of the Fedrigoni Existing Debt but not in relation to the Fedrigoni Acquisiton or the Transactions are not adjusted for in the table above, except as otherwise described in footnote (1) above. As of the Fedrigoni Acquisition Closing Date, after giving pro forma effect to the Transactions, we had €27.4 million outstanding and €81.4 million available for borrowing under certain working capital facilities. The Cordenons Existing Debt will be repaid in connection with the Transactions.

(6) Represents the carrying amount of finance leases in respect of property, plant and equipment of the Fedrigoni Group as of March 31, 2018, but excluding any change in the carrying amount since such date. See "Description of Other Indebtedness—Finance Leases."

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables present Fedrigoni's selected financial information and have been derived from, and should be read in conjunction with, the Financial Statements, which are included elsewhere in this Offering Memorandum, and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Summary—Summary Historical Financial and Other Information," "Use of Proceeds" and "Capitalization." See also "Presentation of Financial and Other Information." The Financial Statements are presented in accordance with IFRS issued by the IASB. The information below is not necessarily indicative of the results of future operations.

We have derived the summarized historical consolidated financial information and other data as of and for the years ended December 31, 2017, 2016 and 2015 from the audited consolidated financial statements of Fedrigoni as of and for each of the years ended December 31, 2017, 2016 and 2015, which are all prepared in accordance with IFRS and included elsewhere in this offering memorandum, unless otherwise stated. We have derived the historical consolidated financial information and other data as of and for the three month periods ended March 31, 2018 and 2017, from the unaudited condensed interim consolidated financial statements of Fedrigoni as of and for the three month period ended March 31, 2018, which are prepared in accordance with IAS 34 and included elsewhere in this offering memorandum, unless otherwise stated.

The unaudited historical financial information for the twelve months ended March 31, 2018 is calculated by adding the financial information for the year ended December 31, 2017 to the financial information for the three month period ended March 31, 2018, and subtracting the financial information for the three month period ended March 31, 2017. The results of operations for the twelve months ended March 31, 2018 have been prepared solely for the purposes of this offering memorandum and are for illustrative purposes only.

All historical financial information presented in this Offering Memorandum is that of Fedrigoni and its subsidiaries; accordingly, all references to "we," "us" or "our" in respect of historical financial information in this Offering Memorandum are to Fedrigoni and its subsidiaries on a consolidated basis, unless the context indicates otherwise. When the terms "we," "us" and "our" are used in this section, (i) when referring to operations, businesses or historical financial results, such terms refer to the Fedrigoni Group, and (ii) when referring to the indebtedness obligations or the Transactions, such terms refer to the Issuer or the Group, as applicable.

Selected Consolidated Income Statement Information

	Year ended December 31,			Three Months ended March 31,	
(€ million)	**2015**	**2016**	**2017**	**2017**	**2018**
Sales revenues	**977.0**	**1,054.6**	**1,081.8**	**278.9**	**254.3**
Other operating income	16.9	9.4	26.7	2.2	1.8
Cost of materials	(528.0)	(549.4)	(587.0)	(146.7)	(144.7)
Cost of services	(199.0)	(216.3)	(214.3)	(55.4)	(51.2)
Cost of personnel	(136.5)	(148.1)	(152.8)	(38.1)	(37.3)
Other costs	(14.9)	(17.4)	(19.7)	(5.7)	(2.3)
Depreciation and amortization and impairment losses	(36.8)	(43.3)	(38.9)	(9.9)	(9.6)
Change in inventories of work in progress, semi-finished goods and finished products	5.7	6.3	5.8	(1.9)	7.8
Cost of capitalized in house work	0.5	0.3	0.8	0.1	0.5
Operating income	**84.9**	**96.2**	**102.4**	**23.5**	**19.3**
Financial income	16.9	17.2	13.0	5.4	3.9
Finance costs	(19.4)	(19.9)	(23.7)	(6.7)	(5.8)
Net financial income/(costs)	**(2.5)**	**(2.7)**	**(10.6)**	**(1.4)**	**(1.9)**
Share of profits of associates	0.4	0.1	0.0	0.0	0.0
Profit before taxes	**82.8**	**93.6**	**91.8**	**22.2**	**17.5**
Income taxes	(25.0)	(30.1)	(19.4	(7.8)	(4.8)
Net profit	**57.8**	**63.5**	**72.3**	**14.3**	**12.7**

Selected Consolidated Statement of Financial Position

(€ million)	As of December 31, 2015	As of December 31, 2016	As of December 31, 2017	As of March 31, 2018
Non-current assets				
Property, plant and equipment	300.9	312.6	315.6	313.2
Intangible assets	64.7	68.9	56.8	54.3
Investment property	1.0	0.5	0.5	0.5
Equity-accounted investments in associates	2.1	2.3	2.3	2.3
Tax credits	3.8	3.7	1.5	1.5
Deferred tax assets	18.1	22.9	26.8	26.3
Financial assets	—	0.1	—	—
Other non-current assets	3.9	5.0	12.1	11.9
Total non-current assets	**394.5**	**415.9**	**415.5**	**409.9**
Current assets				
Inventories	186.5	197.7	198.2	210.6
Trade receivables	253.4	248.7	246.6	245.3
Tax credits	2.9	0.8	1.0	1.0
Financial assets	5.6	4.4	24.1	3.0
Other current assets	20.5	19.2	15.5	22.9
Cash and cash equivalents	30.7	34.1	44.7	35.8
Derivatives	0.8	1.6	0.1	0.3
Total current assets	**500.3**	**506.6**	**530.2**	**519.0**
Non-current assets held for sale	—	—	8.8	8.8
Total assets	**894.8**	**922.5**	**954.6**	**937.7**
Equity				
Share capital	40.0	40.0	40.0	40.0
Reserves and retained earnings	319.7	381.0	404.8	414.2
Equity attributable to owners of the parent	**359.7**	**421.0**	**444.8**	**454.2**
Total equity	**359.7**	**421.0**	**444.8**	**454.2**
Non-current liabilities				
Due to banks and other lenders	110.2	83.9	59.5	53.4
Employee benefits	18.9	19.2	18.0	17.7
Provisions for risks and charges	12.1	21.5	30.8	30.4
Deferred tax liabilities	23.8	24.3	21.6	21.4
Other non-current liabilities	1.3	2.7	2.0	1.8
Total non-current liabilities	**166.3**	**151.7**	**131.9**	**124.7**
Current liabilities				
Due to banks and other lenders	105.2	84.8	102.8	63.6
Trade payables	223.0	211.3	221.8	224.8
Current tax liabilities	1.0	12.0	4.8	8.8
Other current liabilities	39.6	41.3	47.2	60.7
Derivatives	0.0	0.4	0.5	0.2
Total current liabilities	**368.8**	**349.8**	**377.2**	**358.1**
Liabilities associated with assets held for sale	—	—	0.7	0.7
Total liabilities	**535.1**	**501.5**	**509.8**	**483.5**
Total equity and liabilities	**894.8**	**922.5**	**954.6**	**937.7**

Selected Consolidated Cash Flow Statement Information

	Year ended December 31,			Three Months ended March 31,	
(€ million)	2015	2016	2017	2017	2018
Cash from operating activities	67.3	116.8	106.4	31.1	45.1
Cash from investing activities	(152.1)	(41.4)	(53.2)	(7.6)	(7.5)
Cash from financing activities	103.1	(73.2)	(40.3)	(25.1)	(46.2)
Increase/(decrease) in cash and cash equivalents	**18.2**	**2.2**	**12.9**	**(1.6)**	**(8.5)**
Cash and cash equivalents at beginning of period	13.4	30.7	34.1	34.1	44.7
Effects of exchange rate changes on the balance of cash holdings in foreign currencies	(0.9)	1.2	(2.2)	(0.1)	(0.3)
Cash and cash equivalents at end of period	**30.7**	**34.1**	**44.7**	**32.4**	**35.8**

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

The discussion and analysis below provides information that we believe is relevant to an assessment and understanding of the historical consolidated financial position and results of operations of the Fedrigoni Group. You should read this discussion in conjunction with our Financial Statements included elsewhere herein and the sections entitled "Presentation of Financial and Other Information," "Summary—Summary Historical Financial and Other Information" and "Selected Historical Financial Information."

This section includes forward-looking statements, including those concerning future sales, costs, capital expenditures, acquisitions and financial condition. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Results of operations for prior years are not necessarily indicative of the results to be expected for the full year or any future period. See "Forward-Looking Statements" and "Risk Factors."

The following discussion of our results of operations also makes reference to certain Non-IFRS Measures, including Adjusted EBITDA. Prospective investors should bear in mind that these Non-IFRS Measures are not financial measures defined in accordance with IFRS, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures" and "Selected Historical Financial Information."

Overview

We are a leading European manufacturer and distributor of specialty paper, self-adhesive products and security products, such as banknote paper and security features. We are the leading manufacturer and distributor of specialty paper in Europe and Latin America by volume as of December 31, 2016. We have leading market shares in the production of specialty graphic paper, such as paper used for the luxury packaging market, as well as drawing and art paper. We expect the recently-announced acquisition of Gruppo Cordenons S.p.A., an Italy-based manufacturer and distributor of fine paper products with a focus on high-end luxury packaging and premium graphic applications, to further strengthen our presence and market shares in specialty graphic papers. Our product offering also includes a wide range of drawing and art paper marketed under the highly-recognizable Fabriano brand. We are the second largest manufacturer of self-adhesive products for the wine industry globally, with approximately 29% of global market share by volume in self-adhesive products for wine bottle labels, and the largest manufacturer in Europe, with approximately 42% of European market share by volume, in each case as of December 31, 2016. We are also a leading manufacturer of banknote paper, selling our banknote paper in Europe, Latin America, Asia and Africa, with a global market share of approximately 20% by volume in the banknote market open to competitive tender as of December 31, 2016, the only manufacturer of banknote paper with operations in Latin America, and one of the top manufacturers of security products in the European market. We also produce commodity paper products consisting of premium uncoated and coated paper for general use and office paper. For the twelve months ended March 31, 2018, we generated sales revenues of €1,057.2 million, of which 30.3% was generated in Italy, 38.7% in the rest of Europe and 31.0% in the rest of the world, Pro Forma Adjusted EBITDA of €142.7 million and net profit of €70.7 million.

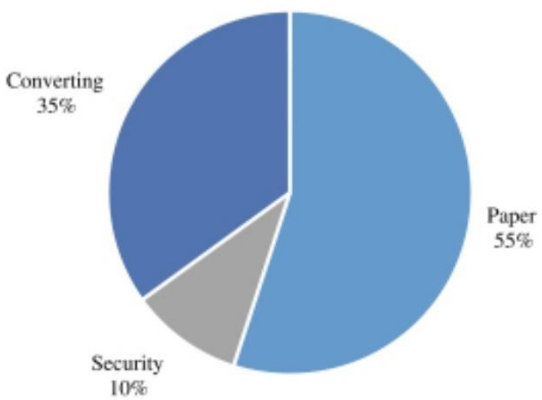
We have a unique and broad product portfolio of more than 22,000 SKUs that we manufacture through our flexible production process and market through our direct distribution system to a diversified clientele of approximately 23,000 customers, ranging from large to very small premium customers. We design customized products based on customers' feedback thanks to the flexibility of our equipment and to our widespread direct sale and distribution network. We currently operate 14 production/finishing facilities in Italy, Spain, Brazil and the United States, of which six are paper mills. In the twelve months ended March 31, 2018, we sold approximately 438 thousand metric tons of paper (including interdivision sales) and approximately 134 thousand metric tons of self-adhesive products. We distribute our products in 128 countries and, with our 21 direct distribution branches, have a direct presence in all major European markets, as well as in the United States, Latin America and China, where we see significant opportunities for growth. We also own twelve Fabriano retail boutiques across Europe through which we market our fine paper and other stationery products under the Fabriano brand.

On May 27, 2018, we agreed to acquire Gruppo Cordenons S.p.A. Cordenons has sales in more than 90 countries and a product portfolio of more than 2,500 SKUs, and it had annual production of approximately 37,000 metric tons of paper in the year ended December 31, 2017. For the twelve months ended March 31, 2018, Cordenons generated €89.8 million of gross sales and €14.8 million of adjusted EBITDA. We expect the Cordenons Acquisition to further strengthen our product offering, customer base and production capacity, increasing our scale and market shares in our core niche markets for specialty graphic paper, particularly in Europe, while at the same time broadening our customer base and providing cost savings opportunities in procurement activities. See "Summary—The Transactions—The Cordenons Acquisition."

Our specialty paper-focused offerings provide us with stable and defensible cash flow generation, and we believe that our highly customized and flexible production processes, resulting from the use of our multi-function and versatile machinery, will enable us to continue to shift even more volumes from commodity products into specialty products and increase our profitability. We have a strong track record of growth, both organically and through focused acquisitions, and we have historically outperformed the overall market for paper, growing at a CAGR of 1.5% between 2012 and 2017 compared to a decline in the global market for paper of 0.4% in the same period, mainly thanks to our focus on premium products, such as specialty paper.

We conduct our operations through two segments: the Paper and Security Segment and the Converting Segment which, before interdivision eliminations, accounted for 77.4% and 24.2%, respectively, of our Adjusted EBITDA in the twelve months ended March 31, 2018. The Paper and Security Segment is organized in two business lines: the Paper Business Line and the Security Business Line. The graph below sets forth our Adjusted Sales Revenues by business line for the twelve months ended March 31, 2018:

Total Adjusted Sales Revenues by Segment/Business Line(1)



(1) Includes sales by the Paper Business Line to the Converting Segment and the Security Business Line.

Paper and Security Segment: Our Paper and Security Segment produces various types of paper and security products. Our Paper and Security Segment generated sales revenues of €722.5 million for the twelve months ended March 31, 2018. The Paper Business Line produces and markets specialty graphic paper, drawing and art paper, premium commodity paper, coated and uncoated paper, office paper and other kinds of paper products. Our specialty graphic paper end users include blue chip companies, such as luxury fashion brands that use our paper in their luxury packaging. Our Paper Business Line also includes the highly-recognizable Fabriano brand, which designs and markets drawing and art paper, office paper, fine stationery products, leather goods, writing products and other items, produced both in-house and by third parties using paper made by our Group. Our Paper Business Line focuses on the attractive specialty paper market, with commodity products being used primarily to fill capacity. The Paper Business Line generated sales revenues of €557.7 million for the twelve months ended March 31, 2018. As of March 31, 2018, we had approximately 17,000 customers in our Paper Business Line. We are further expanding our offering of specialty paper products through the acquisition of Cordenons. The special papers produced by Cordenons include a wide range of fine paper in various formats, grammages and colors, which are suitable for various applications, especially in the luxury packaging and graphic markets. See "Summary—The Transactions—The Cordenons Acquisition."

The Security Business Line produces banknote paper, other paper-for-value items, such as checkbooks, passports, tickets and meal vouchers, and security features such as holograms and security threads for banknotes and other security products, such as passports and checks. We are not involved in the production of the final products such as banknotes or checks, which are printed by our customers. Our Security Business Line customers include public entities such as central banks, but also private companies involved in the production of security products. The Security Business Line generated sales revenues of €164.8 million for the twelve months ended March 31, 2018. As of March 31, 2018, we had approximately 300 customers in our Security Business Line.

Converting Segment: Our Converting Segment produces a broad range of self-adhesive products intended for the production of labels and similar items. Self-adhesive products are used in virtually every sector of merchandising, with labels representing a key element of almost all packaging products. Through our Arconvert and Manter brands, we serve a broad portfolio of paper and film label producers and distributors as well as several premium niche markets, including producers of labels for premium beverage, wine and spirit brands. Our Converting Segment generated sales revenues of €360.3 million for the twelve months ended March 31, 2018. As of March 31, 2018, we had approximately 6,000 customers in our Converting Segment.

As of March 31, 2018, we had 2,708 full-time employees, of which 2,125 were employed in the Paper and Security Segment and 583 in the Converting Segment. Our headquarters are in Verona, Italy.

Our Reporting Segments

Operating Segments

We report our results of operations in two segments, the Paper and Security Segment and the Converting Segment which, before interdivision eliminations, accounted for 77.4% and 24.2%, respectively, of our Adjusted EBITDA in the twelve months ended March 31, 2018. We evaluate the performance of each of these Segments using indicators, such as Adjusted EBITDA, sales revenues by business line and investments in property, plant and equipment. We also report our results of operations by geographic area at the level of each segment. To provide a meaningful breakdown covering the majority of sales in each segment, we report our results of operations based on the following three market regions:

- Italy includes results of our operations in Italy;

- Rest of Europe includes results of our operations in Albania, Andorra, Austria, Belgium, Bosnia Herzegovina, Bulgaria, Vatican City, Croatia, Denmark, Estonia, Russian Federation, Finland, France, Georgia, Germany, Greece, Ireland, Iceland, Kosovo, Latvia, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Monaco, Montenegro, Norway, Netherlands, Poland, Portugal, United Kingdom, Czech Republic, Slovak Republic, Romania, San Marino, Serbia, Slovenia, Spain, Sweden, Switzerland, Ukraine and Hungary; and

- Rest of World includes results of our operations in Algeria, Benin, Burkina-Faso, Cameroon, Congo, Ivory Coast, Egypt, Guinea, Kenya, Libya, Morocco, Mauritius, Mayotte, Nigeria, Reunion, Senegal, South Africa, Tunisia, Argentina, Barbados, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guadeloupe, Guatemala, Guyana, Honduras, Martinique, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Dominican Republic, United States, Suriname, Trinidad and Tobago, Uruguay, Venezuela, Saudi Arabia, Armenia, Azerbaijan, Bahrain, Bangladesh, China, Cyprus, United Arab Emirates, Philippines, Japan, Jordan, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Kazakhstan, Kuwait, Lebanon, Macao, Malaysia, Pakistan, Qatar, Singapore, Syria, Sri Lanka, South Korea, Thailand, Taiwan, Turkey, Turkmenistan, Uzbekistan, Vietnam, Australia, New Caledonia and New Zealand.

Key Factors Affecting Results of Operations and Financial Condition

Our results of operation are affected by a combination of factors, including factors which are beyond our control. We believe that our results of operations, and particularly the results of operation during the periods under review, have been primarily affected by the following factors.

Demand Drivers

Different drivers affect the demand for products in each of our segments and business lines.

In the Paper Business Line, we sell our products to a diverse customer base, from premium niche markets to commodity paper customers, whose demand is affected by different drivers. While demand in our premium niche markets, such as the specialty paper market, is mainly driven by brand awareness, product quality, breadth and customization of the product range, distribution model and service quality, our commodity market (including the market for wood-free graphic paper, office paper and paper for school drawing and artwork) is more vulnerable to global trends in the economic cycle, which affect demand for our products.

In the Security Business Line, we engage in the production of paper for banknotes, value items and security products such as holograms and security threads for banknotes, value items for checks, identity cards and meal vouchers. The demand for banknotes is mainly driven by the monetary policies of governments and central banks. The main factors that positively affect demand growth include the increase in world population, economic growth and inflation, issue of new denominations, and the wear and tear of banknotes in circulation. The main factors that adversely affect demand for banknotes and security products include political decisions to start insourcing the production of banknotes and security elements or reducing the size, frequency and timing of banknote printing as the increased use of electronic payments. See "Risk Factors—Risks Related to Our Business—Fedrigoni Group's future results in the Security Business Line depend on its ability to win tenders for future contracts," "Risk Factors—Risks Related to Our Business—Product defects, failure to meet the client's specifications and revenue volatility in the Security Business Line could have a material adverse effect on our activities and growth outlook" and "Risk Factors—Risks Related to Our Industry—Change in consumer preferences and the increasing digitalization of data transmission and storage could adversely affect us." In the Security Business Line, our customer portfolio and number of orders are much smaller than in the Paper Business Line. As a consequence, demand for our products can vary significantly from period to period, reflecting the different stages of the orders and new order acquisitions or renewals.

In the Converting Segment, we engage in the production of self-adhesive products with pressure-sensitive technology. Demand for self-adhesive products is linked to the primary end markets such as the food and beverage and pharmaceutical sectors, which are stable, and chemicals, automotive and logistics industries, which tend to be cyclical and correlated to macroeconomic trends. Although the performance of the converting market is affected by developments in the broader economy, our focus on the food and beverage and cosmetic segments, which tend to be more stable markets, makes us more resilient. For example, we expect our recently developed innovative grease-proof technology, which could find interesting application particularly in the food and beverage, olive oil and cosmetics markets, to result in increased demand for our converting products. The greatest growth prospects for self-adhesive product demand are in emerging countries, where per capita consumption of self-adhesive products is still low and growth is significant. Demand for converting products is also affected by technological development and, in particular, by the increasing trend of replacing traditional labels with self-adhesive ones (thus increasing demand for self-adhesive products), which enable faster application, better print effects and a wider range of manageable supports. The technology we use is resulting in market share gain compared with the previous technology and this is expected to lead to higher growth rate in demand compared with the overall market given the current substitution trend, in particular in emerging markets.

Prices of Raw Materials

Our results of operations are affected by fluctuations in the cost of raw materials used in the production process. In particular, our production process requires significant use of fibrous raw materials (such as pulp), cellulose by-products, cotton waste and natural gas. The cost of raw materials amounted to 55.3%, 54.3%, 52.1% and 54.0% of sales revenues in the twelve months ended March 31, 2018 and the years ended December 31, 2017, 2016 and 2015, respectively.

We buy raw materials (particularly fibrous raw materials, such as pulp) on international markets in which prices are affected by a range of factors including global demand. For example, the price of pulp decreased in early 2014 due to weakness in demand before stabilizing during the third quarter of 2014. During the last quarter of 2014 and 2015, prices began increasing again as a result of low customer inventories and increased demand for pulp. In late 2015, prices began to decrease due to ongoing pulp capacity increases, particularly in Latin America, and lower demand. In 2016, the price of pulp fell by more than 10%, mainly due to a good offer of short fiber, which represented 19% of our purchases (and 70% of our pulp purchases) in the year ended December 31, 2016, in the market driven by new production capacity in Latin America and Asia. During the same period, the prices of long fiber, which represented 8.5% of our purchases (and the remaining 30% of our pulp purchases) in the year ended December 31, 2016, remained on a more stable trend, although prices increased near the end of the year mainly on account of high Asian demand against a backdrop of substantially unchanged supply. In 2017, pulp prices substantially increased due to offline periods at various pulp plants, high pulp demand from emerging countries and depleting forest resources. In particular, the price of long fiber increased by approximately 23% and the price of short fiber increased by 48%, compared to the year ended December 31, 2016. The average price of natural gas also increased substantially in 2017, after three years of decreasing prices.

The prices of raw materials used in our production cycle (such as pulp, natural gas, mineral coatings and chemical products) typically decline during periods of economic downturn, thus decreasing our raw materials costs and working capital. At the same time, the flexibility of our production process, which allows us to rapidly adapt to changes in customer demand and to optimize capacity utilization, typically results in modest declines in demand for our paper products. In addition, while commodity paper is more sensitive to the price of pulp, specialty paper and converting products are much less tied to swings in the price of pulp due to our ability to pass through raw material price increases to customers.

In order to manage risks from fluctuations in fibrous raw materials and natural gas prices, we typically enter into long-term agreements with our major raw material suppliers. The standard contractual terms with our pulp suppliers typically provide for monthly adjustments to price based on PIX indexes or on monthly net-prices negotiations. In addition, the average duration of the paper product order cycle, which is usually less than 20 days of production, generally enables us to adjust the price of a portion of our products without significant effects on sales volumes. Agreements with our sole supplier of natural gas, Shell Energy Italia S.r.l., provide for periodic negotiations of price based on TTF Index and on the quantity of natural gas to be supplied based on consumption during a given period at each of our production facilities.

We do not hedge the risk associated with cost fluctuations of the main raw materials used in the production process. In this respect we note that we are not using hedging transactions in connection with the purchasing of natural gas and to our knowledge, no specific hedging instruments are available for cotton waste, which is needed to produce banknote paper and fine art.

Product Mix and Business Segment Margins

Our results are affected by changes in the mix of products sold from period to period due to different margins associated with the different products. In the Paper and Security Segment, paper for banknotes and the related security products generally have the highest margins per unit, followed by specialty graphic paper for luxury packaging, paper for artwork and schools. Coated, uncoated and office paper generally have the lowest margins in our portfolio, although they represent an important component of our product portfolio, mainly due to their function of filling unused specialty paper production capacity, thus absorbing part of our fixed costs, and completing our portfolio of paper products, thus enabling us to offer a comprehensive suite of paper products.

In the Converting Segment, the premium niche markets we target, such as labels producers of premium beverage and spirit brands, provide better and more stable margins than products for other end markets.

The flexibility of our production process (resulting from the use of multi-function machinery that enables management to optimize production cycles by adjusting quickly to the relevant market changes) and our knowledge of our markets and customers allows us to change the mix of products and semi-finished goods efficiently in order to satisfy demand, while minimizing the financial resources absorbed by working capital, to benefit margins in the various business areas.

Acquisitions

Acquisitions are an important driver of our results of operations. For example, in 2015, we acquired GPA Holding Company Inc. and Fedrigoni Brasil Papéis Ltda., and on May 27, 2018, we entered into the Cordenons Acquisition Agreement to acquire Cordenons. Acquisitions like these affect our results of operations in several tangible ways. First, our results for the period during which an acquisition takes place are affected by the inclusion of the results of the acquired business in our consolidated results. As acquired business are consolidated from the date of their acquisition, the full impact of an acquisition is only reflected in our financial statements in the subsequent period. In addition to the accretive revenue and costs impact of acquisitions, we also extract synergies and generate cost savings as a result of acquisitions. We intend to continue to selectively evaluate and potentially acquire companies with customer relationships and product offerings in our core businesses of specialty paper and self-adhesive products, as attractive opportunities arise.

Development of a Direct Presence in International Markets

We are an international paper distributor with a direct presence in our key international markets. See "Business—Distribution and Sales." Our direct distribution network is a key element of our business model as it enables us to maintain proximity with our customers, maintain relationships with key decision makers (such as brand managers, creative agencies, designer and printers), enhance brand perception, reduce delivery times and offer customization of final products. We have developed our presence in the international markets in which we operate by increasing our work force in our non-Italian subsidiaries, strengthening our non-Italian distribution structures, expanding the sales network in other countries, including France, Germany, Spain, the United Kingdom, Austria, Benelux, Brazil, the United States and certain Asian countries, redefining the incentive systems of the sales network in order to focus our business on products providing higher margins, increasing warehouse automation and implementing a control system that monitors promptly the receivables and inventory turnover ratios. In addition, we reduced the use of our external paper distributors in recent years in our international markets. As a result of our international business strategy, our non-Italian revenues grew at a CAGR of 7.7% from 2015 to 2017. Paper sold directly through our own distribution network is more profitable than paper sold through third party distributors and consequently, as part of our strategy, we continue to seek to increase the share of products that we sell directly to our customers, which also depends on the volume of specialty products we produce as these are generally sold directly by the manufacturer.

Investments in Property, Plant and Equipment

Investments in property, plant and equipment represent an important driver of our results of operations. From 2015 to 2017, we increased our investments in property, plant and equipment by €14.7 million, or 4.9%, from €300.9 million as of December 31, 2015 to €315.6 million as of December 31, 2017. This increase was mainly related to the ongoing integration of the recently acquired GPA Holding Company Inc. (a U.S. player operating in the distribution of special digital paper and self-adhesive products) and Fedrigoni Brasil Papéis Ltda (a Brazilian leader in the specialty papers and security papers and products) as well as in relation to investments incurred as a result of the fire at the production facility in the city of Verona and the earthquake at the production facility in the city of Pioraco.

Foreign Currency Exchange Rates

We conduct business in 128 countries, including the United States, Latin America and China. Therefore, we are exposed to the foreign exchange risk deriving from the different currencies in which we operate. While our net exposure to fluctuations in exchange rates is limited due to our hedging strategies, our results are subject to foreign exchange translation and transaction risks, particularly with respect to the U.S. dollar, the British pound sterling and the Brazilian real. For example, while we sell the majority of our products in euros, we purchase raw materials, such as pulp and cotton (which amounted to 17.8% of sales revenues in the twelve months ended March 31, 2018), mainly in U.S. dollars. As a consequence, appreciation or depreciation of the euro against the U.S. dollar could affect our U.S. dollar-denominated purchases and could impact our revenue. In addition, the value of our pulp inventory and cash balances in U.S. dollars when translated into euro for purposes of the preparation of our Financial Statements may affect our statement of financial position and the reporting of our working capital, including our reported net debt. We also incur significant operating expenses denominated in British pound sterling mainly in relation to our distribution branch in the United Kingdom. Also in this case, we are subject to appreciation or depreciation of our reporting currency, the euro, against the British pound sterling. Moreover, our subsidiary Fedrigoni Brazil Papeis Ltda., whose indebtedness and assets are denominated in U.S. dollars and euros, exposes us to the risk of depreciation of the Brazilian real against the U.S. dollar and the euro. As our Financial Statements are prepared in euros, fluctuations in the exchange rates used to convert the financial statements of subsidiaries denominated in a foreign currency as part of the consolidation process may also significantly affect results of operations, net financial debt, and consolidated net assets in our Financial Statements.

A portion of our balances in foreign currency is naturally hedged by underlying business activities, such as in the case of the Brazilian real, with sales and costs historically aligned. We also employ different financial derivatives (mainly currency forwards) to counter the risks associated with assets, liabilities and anticipated future cash flows denominated in foreign currency and to protect against significant future fluctuations in the exchange rate for the euro against the U.S. dollar and the British pound sterling. See "Risk Factors—Risks Related to Our Business—Fluctuations in exchange rates may adversely affect our business and results of operations."

Description of Key Income Statement Items

Sales Revenues

Sales revenues means revenue from the sale of products of our ordinary operations, excluding sales to other Fedrigoni Group companies. Sales revenues are recognized at the fair value of the consideration received for the sale of our products. Sales revenues are recognized net of value added tax, expected returns, rebates and discounts. Sales revenues are recognized when the risks and rewards associated with the ownership of the goods are transferred to the buyer, the sales price is agreed or determinable, and such price is expected to be paid. Sales revenues by segment and business line include interdivision sales.

Other Operating Income

Other operating income mainly consist of other revenues (mostly related to sales of energy to third parties), sundry non-financial income, contingent gains and unrealized costs as well as grants for operating expenses. Other operating income is recognized on a straight-line basis over the useful life of the asset for which the grant is received.

Cost of Materials

Cost of materials mainly consist of cost of raw material purchases, purchases of ancillary materials and consumables as well as change in inventories.

Cost of Services

Cost of services mainly consist of cost of transportation, natural gas, commissions paid, maintenance, use of third-party assets, electricity and expenses in relation with other services.

Cost of Personnel

Cost of personnel mainly consist of wages and salaries, social security contributions and period accrual for defined contribution and defined benefit plans.

Other Costs

Other costs consist of writedowns of receivables and other assets, contingent losses and unrealized income, indirect taxes, membership dues and sundry costs.

Net Financial Income/Costs

Net financial income/costs consist of bank interest income, foreign exchange gains, fair value measurement of derivatives and other financial income, as well as of bank interest expense, interest expense on leases, foreign exchange losses, fair value measurement of derivatives, interest costs on employee benefits and other finance costs.

Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairments relate to depreciation of property, plant and equipment, which we initially recognize at cost and depreciate using a straight-line method over their estimated useful lives, which are reviewed and updated as necessary at the end of each fiscal year, and amortization and impairment of intangible assets as well as amortization of tangible and intangible assets.

Income Taxes

Income taxes represent income and expenses in respect of current and deferred income taxes.

Results of Operations

The following table provides an overview of our results of operations for the three months ended March 31, 2018 and 2017, and the years ended December 31, 2015, 2016 and 2017:

	Year ended December 31,			**Three Months ended March 31,**	
(€ million)	**2015**	**2016**	**2017**	**2017**	**2018**
Sales revenues	**977.0**	**1,054.6**	**1,081.8**	**278.9**	**254.3**
Other operating income	16.9	9.4	26.7	2.2	1.8
Cost of materials	(528.0)	(549.4)	(587.0)	(146.7)	(144.7)
Cost of services	(199.0)	(216.3)	(214.3)	(55.4)	(51.2)
Cost of personnel	(136.5)	(148.1)	(152.8)	(38.1)	(37.3)

(€ million)	Year ended December 31, 2015	2016	2017	Three Months ended March 31, 2017	2018
Other costs	(14.9)	(17.4)	(19.7)	(5.7)	(2.3)
Depreciation and amortization and impairment losses	(36.8)	(43.3)	(38.9)	(9.9)	(9.6)
Change in inventories of work in progress, semi-finished goods and finished products	5.7	6.3	5.8	(1.9)	7.8
Cost of capitalized in house work	0.5	0.3	0.8	0.1	0.5
Operating income	**84.9**	**96.2**	**102.4**	**23.5**	**19.3**
Financial income	16.9	17.2	13.0	5.4	3.9
Finance costs	(19.4)	(19.9)	(23.7)	(6.7)	(5.8)
Net financial income/(costs)	**(2.5)**	**(2.7)**	**(10.6)**	**(1.4)**	**(1.9)**
Share of profits of associates	0.4	0.1	0.0	0.0	0.0
Profit before taxes	**82.8**	**93.6**	**91.8**	**22.2**	**17.5**
Income taxes	(25.0)	(30.1)	(19.4)	(7.8)	(4.8)
Net profit	**57.8**	**63.5**	**72.3**	**14.3**	**12.7**

Three Months Ended March 31, 2017 Compared with Three Months Ended March 31, 2018

(€ million)	Three Months ended March 31, 2017	2018	Change in %
Sales revenues	**278.9**	**254.3**	**(8.8)%**
Other operating income	2.2	1.8	(18.2)%
Cost of materials	(146.7)	(144.7)	(1.4)%
Cost of services	(55.4)	(51.2)	(7.6)%
Cost of personnel	(38.1)	(37.3)	(2.1)%
Other costs	(5.7)	(2.3)	(59.6)%
Depreciation and amortization and impairment losses	(9.9)	(9.6)	(3.0)%
Change in inventories of work in progress, semi-finished goods and finished products	(1.9)	7.8	510.5%
Cost of capitalized in house work	0.1	0.5	400.0%
Operating income	**23.5**	**19.3**	**(17.9)%**
Financial income	5.4	3.9	(27.8)%
Finance costs	(6.7)	(5.8)	(13.4)%
Net financial income/(costs)	**(1.4)**	**(1.9)**	**35.7%**
Share of profits of associates	0.0	0.0	—
Profit before taxes	**22.2**	**17.5**	**(21.2)%**
Income taxes	(7.8)	(4.8)	(38.5)%
Net profit	**14.3**	**12.7**	**(11.2)%**

Sales Revenues

Sales Revenues by Reporting Segment and Business Line

Sales revenues decreased by €24.6 million, or 8.8%, to €254.3 million for the three months ended March 31, 2018 from €278.9 million for the three months ended March 31, 2017. This decrease was primarily due to decreased sales in the Security Business Line, which were partially offset by growth in the Converting Segment.

The table below shows our total sales by reporting segment and business line for the three months ended March 31, 2017 and 2018, respectively:

(€ million)	Three Months ended March 31, 2017	2018	Change in %
Paper and Security Segment	**200.7**	**163.2**	**(18.7)%**
thereof: Paper Business Line	143.4	139.5	(2.7)%
thereof: Security Business Line	57.3	23.7	(58.6)%
Converting Segment	**89.8**	**99.5**	**10.8%**
Interdivision eliminations	**(11.5)**	**(8.4)**	**(27.0)%**
Sales revenues	**278.9**	**254.3**	**(8.8)%**

Sales revenues in the Paper and Security Segment decreased by €37.5 million, or 18.7%, to €163.2 million for the three months ended March 31, 2018 from €200.7 million for the three months ended March 31, 2017. This decrease was primarily due to decreased sales in the Security Business Line and to lower interdivisional sales in the Paper Business Line.

Sales revenues in the Paper Business Line decreased by €3.9 million, or 2.7%, to €139.5 million for the three months ended March 31, 2018 from €143.4 million for the three months ended March 31, 2017. This decrease was primarily due to our decision to decrease the production of certain low margin products such as commodity paper due to the higher price of pulp in this period.

Sales revenues in the Security Business Line decreased by €33.6 million, or 58.6%, to €23.7 million for the three months ended March 31, 2018 from €57.3 million for the three months ended March 31, 2017. This decrease was primarily due to the cancellation of certain orders for security products.

Sales revenues in the Converting Segment increased by €9.7 million, or 10.8%, to €99.5 million for the three months ended March 31, 2018 from €89.8 million for the three months ended March 31, 2017. This increase was primarily due to increased sales volumes in each product line.

Sales Revenues by Geographic Area

The following tables show our sales by country and respective reporting segment and business line for the three months ended March 31, 2017 and 2018:

(€ million)	Three months ended March 31, 2017	2018	Change in %
Italy	**85.1**	**77.9**	**(8.5)%**
Paper and Security Segment	66.7	58.4	(12.4)%
thereof: Paper Business Line	57.4	55.7	(3.0)%
thereof: Security Business Line	9.3	2.7	(71.0)%
Converting Segment	19.2	22.7	18.2%
Rest of Europe	**109.1**	**106.1**	**(2.7)%**
Paper and Security Segment	71.6	62.5	(12.7)%
thereof: Paper Business Line	56.9	57.3	0.7%
thereof: Security Business Line	14.7	5.2	(64.6)%
Converting Segment	44.4	49.4	11.3%
Rest of World	**84.8**	**70.3**	**(17.1)%**
Paper and Security Segment	62.4	42.3	(32.2)%
thereof: Paper Business Line	29.0	26.5	(8.6)%

(€ million)	Three months ended March 31, 2017	2018	Change in %
thereof: Security Business Line	33.4	15.8	(52.7)%
Converting Segment	26.2	27.4	4.6%
Total[(1)]	**278.9**	**254.3**	**(8.8)%**

(1) Sales revenues by segment and business line include interdivision sales.

Sales revenues in Italy decreased by €7.2 million, or 8.5%, to €77.9 million for the three months ended March 31, 2018 from €85.1 million for the three months ended March 31, 2017. This decrease was primarily due to a loss of volumes in the Paper Business Line as a result of our decision to decrease the production of certain low-margin products due to the higher price of pulp in this period. This decrease in sales was partially offset by increased sales of converting products.

Sales revenues in the Rest of Europe decreased by €3.0 million, or 2.7%, to €106.1 million for the three months ended March 31, 2018 from €109.1 million for the three months ended March 31, 2017. This decrease was primarily due to a loss of volumes in the Security Business Line as a result of the cancellation of certain orders for security products. This decrease in sales was partially offset by increased sales of converting products and paper products.

Sales revenues in the Rest of World decreased by €14.5 million, or 17.1%, to €70.3 million for the three months ended March 31, 2018 from €84.8 million for the three months ended March 31, 2017. This decrease was primarily due to a loss of volumes in the Paper Business Line as a result of our decision to decrease the production of low margin products due to the higher price of pulp in this period. This decrease in sales was partially offset by increased sales of converting products.

Other Operating Income

Other operating income decreased by €0.4 million, or 18.2%, to €1.8 million for the three months ended March 31, 2018 from €2.2 million for the three months ended March 31, 2017. This decrease was primarily due to lower volumes of energy sold to third parties.

Cost of Materials

Cost of materials decreased by €2.0 million, or 1.4%, to €144.7 million for the three months ended March 31, 2018 from €146.7 million for the three months ended March 31, 2017. This decrease was primarily due to lower volumes of products sold, which was partially offset by the increased cost of pulp in this period. Cost of materials accounted for 56.9% of our sales revenues for the three months ended March 31, 2018, compared with 52.6% for the three months ended March 31, 2017.

Cost of Services

Cost of services decreased by €4.2 million, or 7.6%, to €51.2 million for the three months ended March 31, 2018 from €55.4 million for the three months ended March 31, 2017. This decrease was primarily due to lower royalties paid with respect to our security products. Costs of services accounted for 20.1% of our sales revenues for the three months ended March 31, 2018, compared with 19.9% for the three months end March 31, 2017.

Cost of Personnel

Cost of personnel decreased by €0.8 million, or 2.1%, to €37.3 million for the three months ended March 31, 2018 from €38.1 million for the three months ended March 31, 2017. This decrease was primarily due to lower cost of personnel as a consequence of a decrease in the production of security products following the cancellation of certain orders for security products. Costs of personnel accounted for 13.7% of Fedrigoni Group's sales revenues for the three months ended March 31, 2018, compared with 14.7% for the three months end March 31, 2017.

Other Costs

Other costs decreased by €3.4 million, or 59.6%, to €2.3 million for the three months ended March 31, 2018 from €5.7 million for the three months ended March 31, 2017. This decrease was primarily due to a decrease in the costs for guarantee arrangements related to our security products. Other costs accounted for 2.0% of Fedrigoni Group's sales revenues for the three months ended March 31, 2018, compared with 0.9% for the three months end March 31, 2017.

Net Financial Income/Costs

Net financial income/costs increased by €0.5 million, or 35.7%, to €1.9 million for the three months ended March 31, 2018 from €1.4 million for the three months ended March 31, 2017. This increase was primarily due to losses with respect to exchange rates as a result of the consolidation of Fedrigoni Brasil Papéis Ltda.

Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairment losses decreased by €0.3 million, or 3.0%, to €9.6 million for the three months ended March 31, 2018 from €9.9 million for the three months ended March 31, 2017. This decrease was primarily due to losses with respect to exchange rates as a result of the consolidation of Fedrigoni Brasil Papéis Ltda.

Income Taxes

Income taxes decreased by €3.0 million, or 38.5%, to €4.8 million for the three months ended March 31, 2018 from €7.8 million for the three months ended March 31, 2017. This decrease was primarily due to a decrease of profit before tax and to a reduction in the corporate income tax rate as a result of an agreement with the Italian Revenue Agency signed in December 2017 with respect to tax relief for the direct use of intellectual property.

Key Earning Figures

Operating Income

Operating income decreased by €4.2 million, or 17.9%, to €19.3 million for the three months ended March 31, 2018 from €23.5 million for the three months ended March 31, 2017. This decrease was primarily due to a loss of volumes in the Security Business Line.

Adjusted EBITDA

Adjusted EBITDA decreased by €4.5 million, or 13.4%, to €29.0 million for the three months ended March 31, 2018 from €33.5 million for the three months ended March 31, 2017. This decrease was primarily due to a loss of volumes in the Security Business Line.

Adjusted EBITDA in our Paper and Security Segment decreased by €5.2 million, or 20.6%, to €20.0 million for the three months ended March 31, 2018 from €25.2 million for the three months ended March 31, 2017. This decrease was primarily due to a loss of volumes in the Security Business Line.

Adjusted EBITDA in our Converting Segment increased by €0.9 million, or 9.9%, to €10.0 million for the three months ended March 31, 2018 from €9.1 million for the three months ended March 31, 2017. This increase was primarily due to an increase in our sales volume.

Year Ended December 31, 2016 Compared with Year Ended December 31, 2017

	Year ended December 31,		**Change in %**
(€ million)	**2016**	**2017**	
Sales revenues	**1,054.6**	**1,081.8**	**2.6%**
Other operating income	9.4	26.7	184.0%
Cost of materials	(549.4)	(587.0)	6.8%
Cost of services	(216.3)	(214.3)	(0.9)%

(€ million)	Year ended December 31, 2016	2017	Change in %
Cost of personnel	(148.1)	(152.8)	3.2%
Other costs	(17.4)	(19.7)	13.2%
Depreciation and amortization and impairment losses	(43.3)	(38.9)	(10.2)%
Change in inventories of work in progress, semi-finished goods and finished products	6.3	5.8	(7.9)%
Cost of capitalized in house work	0.3	0.8	166.7%
Operating income	**96.2**	**102.4**	**6.4%**
Financial income	17.2	13.0	(24.4)%
Finance costs	(19.9)	(23.7)	19.1%
Net financial income/(costs)	**(2.7)**	**(10.6)**	**292.6%**
Share of profits of associates	0.1	0.0	(100.0)%
Profit before taxes	**93.6**	**91.8**	**(1.9)%**
Income taxes	(30.1)	(19.4)	(35.5)%
Net profit	**63.5**	**72.3**	**13.9%**

Sales Revenues

Sales Revenues by Reporting Segment and Business Line

Sales revenues increased by €27.2 million, or 2.6%, to €1,081.8 million for the year ended December 31, 2017 from €1,054.6 million for the year ended December 31, 2016. This increase was primarily due to a better sales mix, particularly in the Paper and Security Segment in respect of export markets. The table below shows our total sales by reporting segment and business line for the year ended December 31, 2016 and 2017, respectively:

(€ million)	Year ended December 31, 2016	2017	Change in %
Paper and Security Segment	**763.8**	**760.0**	**(0.5)%**
thereof: Paper Business Line	*572.3*	*561.6*	*(1.9)%*
thereof: Security Business Line	*191.5*	*198.4*	*3.6%*
Converting Segment	**329.0**	**350.6**	**6.7%**
Interdivision eliminations	**(38.2)**	**(28.9)**	**(24.3)%**
Sales revenues	**1,054.6**	**1,081.8**	**2.6%**

Sales revenues in the Paper and Security Segment decreased by €3.8 million, or 0.5%, to €760.0 million for the year ended December 31, 2017 from €763.8 million for the year ended December 31, 2016. This decrease was primarily due to a loss of volumes in the Paper Business Line as a result of the earthquake in Pioraco, Italy in October 2016, which suspended production at our production facility in Pioraco for more than one year.

Sales revenues in the Paper Business Line decreased by €10.7 million, or 1.9%, to €561.6 million for the year ended December 31, 2017 from €572.3 million for the year ended December 31, 2016. This decrease was primarily due to a loss of volumes in the Paper Business Line as a result of the earthquake in Pioraco, Italy in October 2016, which suspended production at our production facility in Pioraco for more than one year.

Sales revenues in the Security Business Line increased by €6.9 million, or 3.6%, to €198.4 million for the year ended December 31, 2017 from €191.5 million for the year ended December 31, 2016. This increase was primarily due to increased product sales driven by successful tenders during the year, despite realizing some of the impact for loss of volumes in the Security Business Line during the last quarter of 2017.

Sales revenues in the Converting Segment increased by €21.6 million, or 6.7%, to €350.6 million for the year ended December 31, 2017 from €329.0 million for the year ended December 31, 2016. This increase was primarily due to an increase of €7.1 million in sales of wine labels and to an increase of €6.7 million in sales of converting products in the United States finished at our facility in Cerritos, California.

Sales Revenues by Geographic Area

The following tables show our sales by country and respective reporting segment and business line for the year ended December 31, 2016 and 2017:

	Year ended December 31,		
	2016	**2017**	**Change in %**
(€ million)			
Italy	**315.0**	**327.7**	**4.0%**
Paper and Security Segment	*263.1*	*267.2*	*1.6%*
thereof: Paper Business Line	*228.3*	*222.1*	*(2.7)%*
thereof: Security Business Line	*34.8*	*45.1*	*29.6%*
Converting Segment	*65.0*	*72.9*	*12.2%*
Rest of Europe	**394.4**	**411.7**	**4.4%**
Paper and Security Segment	*255.3*	*258.7*	*1.3%*
thereof: Paper Business Line	*226.4*	*220.1*	*(2.8)%*
thereof: Security Business Line	*28.9*	*38.6*	*33.6%*
Converting Segment	*155.1*	*173.7*	*12.0%*
Rest of World	**345.3**	**342.3**	**(0.9)%**
Paper and Security Segment	*245.4*	*234.1*	*(4.6)%*
thereof: Paper Business Line	*117.6*	*119.4*	*1.5%*
thereof: Security Business Line	*127.8*	*114.7*	*(10.3)%*
Converting Segment	*109.0*	*104.1*	*(4.5)%*
Total[(1)]	**1,054.6**	**1,081.8**	**2.6%**

(1) Sales revenues by segment and business line include interdivision sales.

Sales revenues in Italy increased by €12.7 million, or 4.0%, to €327.7 million for the year ended December 31, 2017 from €315.0 million for the year ended December 31, 2016. This increase was primarily due to increased sales of security products driven by the award of certain tenders and increased sales of products in the Converting Segment as a result of increased sales of wine labels and film products.

Sales revenues in the Rest of Europe increased by €17.3 million, or 4.4%, to €411.7 million for the year ended December 31, 2017 from €394.4 million for the year ended December 31, 2016. This increase was primarily due to increased sales of security and converting products in central Europe.

Sales revenues in the Rest of World decreased by €3.0 million, or 0.9%, to €342.3 million for the year ended December 31, 2017 from €345.3 million for the year ended December 31, 2016. This decrease was primarily due to the cancellation of an order in the Security Business Line.

Other Operating Income

Other operating income increased by €17.3 million to €26.7 million for the year ended December 31, 2017 from €9.4 million for the year ended December 31, 2016. This increase was primarily due to an insurance reimbursement in the amount of €13.1 million in respect of losses suffered as a result of the earthquake in Pioraco, Italy.

Cost of Materials

Cost of materials increased by €37.6 million, or 6.8%, to €587.0 million for the year ended December 31, 2017 from €549.4 million for the year ended December 31, 2016. This increase was primarily due to higher average purchase prices of fibrous raw materials. Cost of materials accounted for 54.3% of our sales revenues for the year ended December 31, 2017, compared with 52.1% for the year ended December 31, 2016.

Cost of Services

Cost of services decreased by €2.0 million, or 0.9%, to €214.3 million for the year ended December 31, 2017 from €216.3 million for the year ended December 31, 2016. This decrease was primarily due to reduced gas and electricity costs during the interruption of operations at our production facility in the city of Pioraco following the 2016 earthquake in Pioraco, Italy. Cost of services accounted for 19.8% of our sales revenues for the year ended December 31, 2017, compared with 20.5% for the year ended December 31, 2016.

Cost of Personnel

Cost of personnel increased by €4.7 million, or 3.2%, to €152.8 million for the year ended December 31, 2017 from €148.1 million for the year ended December 31, 2016. This increase was primarily due to a change in the collective bargaining agreement in relation to our Brazilian subsidiary, Fedrigoni Brasil Papéis Ltda, and to inflation which affected our operations in Brazil. Cost of personnel accounted for 14.1% of our sales revenues for the year ended December 31, 2017, compared with 14.0% for the year ended December 31, 2016.

Other Costs

Other costs increased by €2.3 million, or 13.2%, to €19.7 million for the year ended December 31, 2017 from €17.4 million for the year ended December 31, 2016. This increase was primarily due to costs incurred by our Brazilian operations as a result of inflation and changes to our collective bargaining agreements in Brazil. Other costs accounted for 1.8% of our sales revenues for the year ended December 31, 2017, compared with 1.6% for the year ended December 31, 2016.

Net Financial Income/Costs

Net financial income/costs increased by €7.9 million to €10.6 million for the year ended December 31, 2017 from €2.7 million for the year ended December 31, 2016. This increase was primarily due to costs incurred in respect of foreign exchange rates.

Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairment losses decreased by €4.4 million, or 10.2%, to €38.9 million for the year ended December 31, 2017 from €43.3 million for the year ended December 31, 2016. This decrease was primarily due to depreciation in the amount of €1.7 million in respect of an advanced payment in Brazil due to one of our suppliers declaring bankruptcy and by an impairment loss in the amount of €2.4 million as a result of the 2016 earthquake in Pioraco, Italy.

Income Taxes

Income taxes decreased by €10.7 million, or 35.5%, to €19.4 million for the year ended December 31, 2017 from €30.1 million for the year ended December 31, 2016. This decrease was primarily due to a reduction in the corporate income tax rate from 27.5% for the year ended December 31, 2016 to 24% for the year ended December 31, 2017 and by tax benefits in the amount of €6.3 million as a result of Fedrigoni's five-year agreement with the Italian Revenue Agency with respect to tax relief relating to direct use of intellectual property.

Key Earning Figures

Operating Income

Operating income increased by €6.2 million, or 6.4%, to €102.4 million for the year ended December 31, 2017 from €96.2 million for the year ended December 31, 2016. This increase was primarily due to (i) an increase of the other operating income related to insurance reimbursements, (ii) a decrease in the cost of services (mainly gas and electricity) and (iii) an increase in the cost of personnel mainly connected to our Brazilian subsidiary, Fedrigoni Brasil Papéis Ltda.

Adjusted EBITDA

Adjusted EBITDA decreased by €6.4 million, or 4.5%, to €134.4 million for the year ended December 31, 2017 from €140.8 million for the year ended December 31, 2016. This decrease was primarily due to a material provision set aside with respect to customary guarantees related to sales in our Security Business Line and to an increase of raw materials and personnel costs in the Converting Segment.

Adjusted EBITDA in our Paper and Security Segment decreased by €2.1 million, or 1.9%, to €105.8 million for the year ended December 31, 2017 from €107.9 million for the year ended December 31, 2016. This decrease was primarily due to a material provision set aside with respect to customary guarantees related to sales in our Security Business Line and to the impact of loss of volumes in the Security Business Line during the last quarter of 2017.

Adjusted EBITDA in our Converting Segment decreased by €4.4 million, or 12.6%, to €30.5 million for the year ended December 31, 2017 from €34.9 million for the year ended December 31, 2016. This decrease was primarily due to an increase in raw materials and personnel costs.

Year Ended December 31, 2015 Compared with Year Ended December 31, 2016

	Year ended December 31,		
(€ million)	**2015**	**2016**	**Change in %**
Sales revenues	**977.0**	**1,054.6**	**7.9%**
Other operating income	16.9	9.4	(44.4)%
Cost of materials	(528.0)	(549.4)	4.1%
Cost of services	(199.0)	(216.3)	8.7%
Cost of personnel	(136.5)	(148.1)	8.5%
Other costs	(14.9)	(17.4)	16.8%
Depreciation and amortization and impairment losses	(36.8)	(43.3)	17.7%
Change in inventories of work in progress, semi-finished goods and finished products	5.7	6.3	10.5%
Cost of capitalized in house work	0.5	0.3	(40.0)%
Operating income	**84.9**	**96.2**	**13.3%**
Financial income	16.9	17.2	1.8%
Finance costs	(19.4	(19.9)	2.6%
Net financial income/(costs)	**(2.5)**	**(2.7)**	**8.0%**
Share of profits of associates	0.4	0.1	(75.0)%
Profit before taxes	**82.8**	**93.6**	**13.0%**
Income taxes	(25.0)	(30.1)	20.4%
Net profit	**57.8**	**63.5**	**9.9%**

Sales Revenues

Sales Revenues by Reporting Segment and Business Line

Sales revenues increased by €77.6 million, or 7.9%, to €1,054.6 million for the year ended December 31, 2016 from €977.0 million for the year ended December 31, 2015. This increase was primarily due to a full year of sales revenues generated by GPA Holding Company Inc. (with a full-year contribution of €68.1 million of sales revenues in 2016, compared to a partial-year contribution of €50.2 million in 2015) and Fedrigoni Brasil Papéis Ltda (with a full-year contribution of €55.5 million of sales revenues in 2016, compared to a partial-year contribution of €35.9 million in 2015), both of which were acquired in 2015, and to increased sales of security products in relation to the award of certain tenders. The table below shows our total sales by reporting segment and business line for the year ended December 31, 2015 and 2016, respectively:

(€ million)	Year ended December 31, 2015	2016	Change in %
Paper and Security Segment	**703.5**	**763.8**	**8.6%**
thereof: Paper Business Line	*556.8*	*572.3*	*2.8%*
thereof: Security Business Line	*146.7*	*191.5*	*30.5%*
Converting Segment	**299.5**	**329.0**	**9.8%**
Interdivision eliminations	**(26.0)**	**(38.2)**	**46.9%**
Sales revenues	**977.0**	**1,054.6**	**7.9%**

Sales revenues in the Paper and Security Segment increased by €60.3 million, or 8.6%, to €763.8 million for the year ended December 31, 2016 from €703.5 million for the year ended December 31, 2015. This increase was primarily due to increased sales as a result of the acquisitions of GPA Holding Company Inc. and Fedrigoni Brasil Papéis Ltda. in 2015, which, in their first full-year as part of the Fedrigoni Group, contributed €10.5 million and €5.1 million to our sales revenues in the year ended December 31, 2016, respectively, and to increased sales of security products in relation to the award of certain tenders.

Sales revenues in the Paper Business Line increased by €15.5 million, or 2.8%, to €572.3 million for the year ended December 31, 2016 from €556.8 million for the year ended December 31, 2015. This increase was primarily due to increased sales as a result of our acquisitions of GPA Holding Company Inc. and Fedrigoni Brasil Papéis Ltda. in 2015.

Sales revenues in the Security Business Line increased by €44.8 million, or 30.5%, to €191.5 million for the year ended December 31, 2016 from €146.7 million for the year ended December 31, 2015. This increase was primarily due to increased sales of security products in relation to the award of certain tenders.

Sales revenues in the Converting Segment increased by €29.5 million, or 9.8%, to €329.0 million for the year ended December 31, 2016 from €299.5 million for the year ended December 31, 2015. This increase was primarily due to increased sales of wine labels and to increased sales in Latin America and the United States as a result of the acquisition of GPA Holding Company Inc. during 2015, which contributed additional sales revenues of €11.4 million in the year ended December 31, 2016 over its partial-year contribution to sales revenues in the year ended December 31, 2015.

Sales Revenues by Geographic Area

The following tables show our sales by country and respective reporting segment and business line for the year ended December 31, 2015 and 2016:

(€ million)	Year ended December 31, 2015	2016	Change in %
Italy	**326.5**	**315.0**	**(3.5)%**
Paper and Security Segment	*278.9*	*263.1*	*(5.7)%*
thereof: Paper Business Line	*236.6*	*228.3*	*(3.5)%*
thereof: Security Business Line	*42.3*	*34.8*	*(17.7)%*
Converting Segment	*59.1*	*65.0*	*10.0%*
Rest of Europe	**370.8**	**394.4**	**6.4%**
Paper and Security Segment	*228.1*	*255.3*	*11.9%*
thereof: Paper Business Line	*217.8*	*226.4*	*3.9%*
thereof: Security Business Line	*10.2*	*28.9*	*183.3%*
Converting Segment	*161.7*	*155.1*	*(4.1)%*
Rest of World	**279.7**	**345.3**	**23.5%**
Paper and Security Segment	*195.5*	*245.4*	*25.5%*
thereof: Paper Business Line	*101.4*	*117.6*	*16.0%*

(€ million)	Year ended December 31, 2015	2016	Change in %
thereof: Security Business Line	*94.1*	*127.8*	*35.8%*
Converting Segment	*78.7*	*109.0*	*38.5%*
Interdivision eliminations[(1)]	**(26.0)**	**(38.2)**	**46.9%**
Total[(1)]	**977.0**	**1,054.6**	**7.9%**

(1) Sales revenues by segment and business line include interdivision sales, which are eliminated from Total sales revenues.

Sales revenues in Italy decreased by €11.5 million, or 3.5%, to €315.0 million for the year ended December 31, 2016 from €326.5 million for the year ended December 31, 2015. This decrease was primarily due to the loss of certain key customers of office paper in the Paper Business Line and by decreased sales in the Security Business Line as a result of fluctuations in demand and price for security products.

Sales revenues in the Rest of Europe increased by €23.6 million, or 6.4%, to €394.4 million for the year ended December 31, 2016 from €370.8 million for the year ended December 31, 2015. This increase was primarily due to increased sales of security features in relation to the award of certain tenders in the region.

Sales revenues in the Rest of World increased by €65.6 million, or 23.5%, to €345.3 million for the year ended December 31, 2016 from €279.7 million for the year ended December 31, 2015. This increase was primarily due to increased sales of security products (such as banknote paper and security features) driven by the award of certain tenders and increased sales in the Converting Segment to the United States as a result of the inclusion of a full year of results for GPA Holding Company Inc. and Fedrigoni Brasil Papéis Ltda., which were acquired in May 2015 and June 2015, respectively.

Other Operating Income

Other operating income decreased by €7.5 million, or 44.4%, to €9.4 million for the year ended December 31, 2016 from €16.9 million for the year ended December 31, 2015. This decrease was primarily due to decreased insurance reimbursements in the amount of €2.0 million during the year ended December 31, 2016 in connection with damages to our Pioraco production facility as a result of the 2016 earthquake in Pioraco, Italy, as compared to insurance reimbursements in the amount of €8.2 million during the year ended December 31, 2015 in connection with damages at our Verona production facility as a result of a fire.

Cost of Materials

Cost of materials increased by €21.4 million, or 4.1%, to €549.4 million for the year ended December 31, 2016 from €528.0 million for the year ended December 31, 2015. This increase was primarily driven by increased costs of materials in relation to a full year of costs for GPA Holding Company Inc. (with full-year cost of materials equal to €28.1 million) and Fedrigoni Brasil Papéis Ltda (with full-year cost of materials equal to €16.7 million) in 2016. Cost of materials in 2016 was partly offset by a decrease in the cost of fibrous raw materials. Cost of materials accounted for 52.1% of our sales revenues for the year ended December 31, 2016 compared with 54.0% for the year ended December 31, 2015.

Cost of Services

Cost of services increased by €17.3 million, or 8.7%, to €216.3 million for the year ended December 31, 2016 from €199.0 million for the year ended December 31, 2015. This increase was primarily due to the inclusion of a full year of costs of GPA Holding Company Inc. and Fedrigoni Brasil Papéis Ltda. In particular, the increase was due to cost of services in relation to GPA Holding Company Inc. (with cost of services equal to €11.8 million) and Fedrigoni Brasil Papéis Ltda (with cost of services equal to €11.0 million) in 2016. The increase of cost of services was also affected by (i) an increase in transportation costs mainly attributable to the greater volumes produced partly offset by a decrease in natural gas and electricity costs due to lower rates, (ii) higher cost of patent rights in relation to certain products in the Security Business Line and (iii) an increase in commission expenses largely due to GPA Holding Company Inc. (equal to €4.6 million) and Fedrigoni Brasil Papéis Ltda (equal to €1.5 million). Cost of services accounted for 20.5% of our sales revenues for the year ended December 31, 2016 compared with 20.4% for the year ended December 31, 2015.

Cost of Personnel

Cost of personnel increased by €11.6 million, or 8.5%, to €148.1 million for the year ended December 31, 2016 from €136.5 million for the year ended December 31, 2015. This increase was primarily due to a higher average number of employees following the 2015 acquisitions of GPA Holding Company Inc. (with a full-year cost of personnel of €7.2 million in 2016, compared to a partial-year cost of personnel of €4.6 million in 2015) and Fedrigoni Brasil Papéis Ltda (with a full-year cost of personnel of €11.2 million in 2016, compared to a partial-year cost of personnel of €6.4 million in 2015) and an increase in the production of security items at the production facility in Ospiate di Bollate, Italy. Cost of personnel accounted for 14.0% of our sales revenues for the year ended December 31, 2016 compared with 14.0% for the year ended December 31, 2015.

Other Costs

Other costs increased by €2.5 million, or 16.8%, to €17.4 million for the year ended December 31, 2016 from €14.9 million for the year ended December 31, 2015. This increase was primarily due to an increase in sundry costs of €7.2 million in relation to risk provisions related to lawsuits, disputes and business arrangements, which was partly offset by a decrease in contingent losses and unrealized income related to the loss of sales of white certificates. Other costs accounted for 1.7% of our sales revenues for the year ended December 31, 2016 compared with 1.5% for the year ended December 31, 2015.

Net Financial Income/Costs

Net financial income/costs increased by €0.2 million, or 8.0%, to €2.7 million for the year ended December 31, 2016 from €2.5 million for the year ended December 31, 2015. This increase was primarily due to losses with respect to exchange rates.

Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairment losses increased by €6.5 million, or 17.7%, to €43.3 million for the year ended December 31, 2016 from €36.8 million for the year ended December 31, 2015. This increase was primarily driven by acquisitions and investments and by €2.1 million in writedowns of structures and portions of machinery at the production facility in Pioraco, Italy. The increase was affected by impairment losses of (i) €1.7 million in relation to an advance payment given to an equipment supplier declared bankrupt in January 2017 and (ii) €2.4 million related to the 2016 earthquake at our production facility in Pioraco, Italy.

Income Taxes

Income taxes increased by €5.1 million, or 20.4%, to €30.1 million for the year ended December 31, 2016 from €25.0 million for the year ended December 31, 2015. This increase was primarily due to an increase in current taxes of €6.8 million compared to the previous year partly offset by a decrease in deferred tax liabilities of €1.7 million compared to the previous year. The Italian corporate income tax rate remained unchanged at 27.5% for the year ended December 31, 2016, compared to the year ended December 31, 2015.

Key Earning Figures

Operating Income

Operating income increased by €11.3 million, or 13.3%, to €96.2 million for the year ended December 31, 2016 from €84.9 million for the year ended December 31, 2015. This increase was primarily due to a decrease in the cost of pulp and to the increase in sales and margins in the Security Business Line.

Adjusted EBITDA

Adjusted EBITDA increased by €20.2 million, or 16.7%, to €140.8 million for the year ended December 31, 2016 from €120.6 million for the year ended December 31, 2015. This increase was primarily due to a decrease in the cost of pulp and to the increase in sales and margins in the Security Business Line.

Adjusted EBITDA in our Paper and Security Segment increased by €19.3 million, or 21.8%, to €107.9 million for the year ended December 31, 2016 from €88.6 million for the year ended December 31, 2015. This increase was primarily due to a decrease in the cost of pulp and to increased turnover and margins in the Security Business Line.

Adjusted EBITDA in our Converting Segment increased by €0.8 million, or 2.3%, to €34.1 million for the year ended December 31, 2016 from €34.9 million for the year ended December 31, 2015. This increase was primarily due to increased sales in the Latin American market.

Liquidity and Capital Resources

Overview

The principal sources of our liquidity are cash flow from operating activities, bank credit lines and other forms of indebtedness, including the Revolving Credit Facility going forward. The primary needs for liquidity are to fund working capital, repay debt and make investments to develop our business. We believe that the current cash flow from operating activities and existing bank financing will provide us with sufficient liquidity to meet current working capital needs.

Cash Flows

The table below sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
(€ million)	**2015**	**2016**	**2017**	**2017**	**2018**
Cash flow from operating activities	67.3	116.8	106.4	31.1	45.1
Cash flow used in investing activities	(152.1)	(41.4)	(53.2)	(7.6)	(7.5)
Cash flow from (used in) financing activities	103.1	(73.2)	(40.3)	(25.1)	(46.2)
Increase/(Decrease) in cash and cash equivalents	**18.2**	**2.2**	**12.9**	**(1.6)**	**(8.5)**
Cash and cash equivalents at beginning of period	13.4	30.7	34.1	34.1	44.7
Effects of exchange rate changes on the balance of cash holdings in foreign currencies	(0.9)	1.2	(2.2)	(0.1)	(0.3)
Cash and Cash equivalents at end of period	**30.7**	**34.1**	**44.7**	**32.4**	**35.8**

Cash Flows from Operating Activities

Cash flows from operating activities increased by €14.0 million, or 45.0%, to €45.1 million for the three months ended March 31, 2018 from €31.1 million for the three months ended March 31, 2017. This increase was primarily due to the partial reimbursement of other payables owed by the Fedrigoni Seller to Fedrigoni, which was partially offset by lower charges for risk provision and by an increase of the trade working capital.

Cash flows from operating activities decreased by €10.4 million, or 8.9%, to €106.4 million for the year ended December 31, 2017 from €116.8 million for the year ended December 31, 2016. This decrease was primarily due to an increase of change of trade payables in an amount of €28.5 million, a decrease in other assets/ liabilities in an amount of €25.7 million and a decrease in income taxes paid in an amount of €8.7 million.

Cash flows from operating activities increased by €49.5 million, or 73.6%, to €116.8 million for the year ended December 31, 2016 from €67.3 million for the year ended December 31, 2015. This increase was primarily due to an increase of profit before tax in an amount of €10.8 million, an increase in impairment losses on tangible and intangible assets in an amount of €4.1 million, an increase in charge to risk provision in an amount of €8.2 million, an increase in trade receivables in an amount of €9.7 million, partly offset by a decrease in trade payables in an amount of €32.9 million and an increase of income tax paid in an amount of €14.2 million.

Cash Flows from Investing Activities

Cash flows from investing activities slightly decreased by €0.1 million, or 1.3%, to €7.5 million for the three months ended March 31, 2018 from €7.6 million for the three months ended March 31, 2017.

Cash flows from investing activities increased by €11.8 million, or 28.5%, to €53.2 million for the year ended December 31, 2017 from €41.4 million for the year ended December 31, 2016. This increase was primarily due to investments in property, plant and equipment in the amount of €53.4 million for the year ended December 31, 2017 compared to investments in the amount of €42.5 million for the year ended December 31, 2016.

Cash flows from investing activities decreased by €110.7 million, or 72.8%, to €41.4 million for the year ended December 31, 2016 from €152.1 million for the year ended December 31, 2015. This decrease was primarily due to the acquisition of GPA Holding Company Inc. and Fedrigoni Brasil Papéis Ltda for an aggregate amount of €122.0 million during the year ended December 31, 2015.

Cash Flows from Financing Activities

Cash flows from financing activities increased by €21.1 million, or 84.1%, to €46.2 million for the three months ended March 31, 2018 from €25.1 million for the three months ended March 31, 2017. This increase was primarily due to the repayment of certain short-term bank loans.

Cash flows from financing activities decreased by €32.9 million, or 44.9%, to negative €40.3 million for the year ended December 31, 2017 from negative €73.2 million for the year ended December 31, 2016. This decrease was primarily due to increased dividend payments, new medium- to long-term bank loans, repayment of certain short-term bank loans and new short-term bank loans.

Cash flows from financing activities decreased by €176.3 million, or 171.0%, to negative €73.2 million for the year ended December 31, 2016 from €103.1 million for the year ended December 31, 2015. This decrease was primarily due to new medium- and long-term bank loans in the amount of €125 million and new short-term bank loans in the amount of €92.4 million.

Net Working Capital

Net Working Capital represents inventories and trade receivables, less trade payables. Change in Net Working Capital represents the difference in Net Working Capital as of the specified date compared to Net Working Capital as of the comparable prior date. The following table summarizes our Change in Net Working Capital for the periods indicated:

	As of December 31,		
(€ million)	**2015**	**2016**	**2017**
Inventories	186.5	197.7	198.2
Trade receivables	253.4	248.7	246.6
Trade payables	(223.0)	(211.3)	(221.8)
Net Working Capital	**216.9**	**235.1**	**223.0**
Change in Net Working Capital	16.4	18.2	(12.1)

Net Working Capital decreased by €12.1 million, or 5.1%, to €223.0 million in the year ended December 31, 2017, from €235.1 million in the year ended December 31, 2016. This decrease was primarily due to an increase of €10.5 million in trade payables, a decrease of €2.1 million in trade receivables as well as a modification of our customer base in the year ended December 31, 2017.

Net Working Capital increased by €18.2 million, or 8.4%, to €235.1 million in the year ended December 31, 2016, from €216.9 million in the year ended December 31, 2015. This increase was primarily due to an increase of €11.2 million in inventories and a decrease of €11.7 million in trade payables as well as working capital requirements of our newly acquired businesses Fedrigoni Brasil Papéis Ltda (previously Arjo Wiggins Ltda.) and GPA Holding Company Inc.

Capital Expenditures

Capital expenditures consist of investments in intangible assets and investments in property, plant and equipment (including extraordinary capital expenditures), net disposals of intangible assets and disposals of property, plant and equipment. We finance our capital expenditures with cash flow from operating activities and cash flow from financing activities.

The table below sets forth our capital expenditures based on cash flows for the periods indicated.

(€ million)	Year ended December 31,			Three months ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
Paper and Security Segment	25.0	36.6	48.6	6.5	7.3
Converting Segment	6.6	6.7	5.6	1.7	0.7
Capital expenditures	**31.6**	**43.3**	**54.2**	**8.2**	**8.0**

Capital expenditures slightly decreased by €0.2 million, or 2.4%, to €8.0 million in the three months ended March 31, 2018, from €8.2 million in the three months ended March 31, 2017.

Capital expenditures increased by €10.9 million, or 25.2%, to €54.2 million for the year ended December 31, 2017 from €43.3 million for the year ended December 31, 2016. This increase was primarily due to investments related to (i) the reconstruction of the production facility located in Pioraco, Italy, following the 2016 earthquake that suspended production for more than one year and (ii) the increase of the production capacity of the plant located in Salto.

Capital expenditures increased by €11.7 million, or 37.0%, to €43.3 million for the year ended December 31, 2016 from €31.6 million for the year ended December 31, 2015. This increase was primarily due to investments in material assets related to the increase of the production capacity by GPA Holding Company Inc. and Fedrigoni Brasil Papéis Ltda, in an amount of €5.7 million and €15.7 million, respectively.

Contractual Obligations

The following table summarizes certain categories of our contractual obligations and commitments owed to third parties (excluding any interest payments or such contractual obligations and commitments), by period, as of March 31, 2018 on an as adjusted basis after giving effect to the Transactions:

(€ million)	Less than 1 year	1-5 years	More than 5 years	Total
New Notes offered hereby[(1)]	—	—	125.0	125.0
Existing Notes[(2)]	—	—	455.0	455.0
Finance leases[(3)]	0.2	1.0	2.7	3.9
Other financing[(3)]	3.4	0	0	3.4
Trade payables[(3)]	224.8	0	0	224.8
Total[(4)]	**228.4**	**1.0**	**582.7**	**812.2**

(1) Represents the aggregate principal amount of the New Notes excluding future interest payments.

(2) Represents the aggregate principal amount of the Existing Notes excluding future interest payments.

(3) Represents amounts in the unaudited condensed interim consolidated financial statements. No adjustments are required to these items for the Transactions.

(4) Excludes the Revolving Credit Facility, which we expect to be undrawn on the New Notes Issue Date. The Revolving Credit Facility matures on April 16, 2024.

Off-Balance Sheet Arrangements

Certain of the contracts with our customers in the Security Business Line include a product lifetime warranty. As a consequence, in case of product defects we could incur warranty costs and be required to make indemnity payments to our customers in the Security Business Line. Indemnification accruals in relation to these contracts are based on estimates that can change over time. In addition, we have entered into certain off-balance sheet exchange rate and guarantee arrangements.

Quantitative and Qualitative Disclosures Regarding Market and Financial Risks

Overview

In the ordinary course of business, we are exposed to interest rate risk, foreign exchange currency risk, raw materials price risk, credit risk and liquidity risk. Our risk management policies are established to identify and analyze the risks we face. We counter financial risks with finance policy methods and specific risk management. Risk management is centralized with our Treasury Management function, which identifies, assesses and hedges financial risks by working closely with our business units.

This discussion does not address other risks to which we are exposed in the ordinary course of business, such as operational risks. See "Risk Factors."

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk originates primarily from long-term financial liabilities at variable interest rates in the form of the Notes and the Revolving Credit Facility following the Transactions. Variable-rate debt exposes us to risk arising from interest rate volatility (cash flow risk). As of March 31, 2018, and December 31, 2017, 2016 and 2015, we had medium- to long-term financial debt, including the current portion, equal to €117.0 million, €162.4 million, €168.7 million and €215.4 million, respectively. Although we have a risk management policy in place, in the event of increases in interest rates and inadequate hedging, the increase in finance costs on variable-rate debt could have adverse effects on our financial position, financial performance and cash flows. We may enter into interest hedging arrangements to hedge our exposure to fluctuations in interest rates, including under the Notes and the Revolving Credit Facility.

Foreign Exchange Currency Risk

We conduct business on an international level, and therefore we are exposed to the foreign exchange risk deriving from the different currencies in which we operate (primarily the U.S. dollar, the British pound sterling and the Brazilian real). The foreign exchange risk originates from sales transactions that have not occurred yet and from assets and liabilities that are already recognized in our Financial Statements in currencies other than the euro. To hedge from an economic perspective the risk associated with assets and liabilities already recognized in the Financial Statements in currencies other than our functional currency (euro), in some instances we use currency forwards. The currency forward contracts usually have a maximum duration of twelve months. A portion of our balances in foreign currency is also naturally hedged by underlying business activities (such as in the case of the Brazilian real). See also "Risk Factors—Risks Related to Our Business—Fluctuations in exchange rates may adversely affect our business and results of operations."

Raw Materials Price Risk

We are exposed to fluctuations in the cost of raw materials used in the production process (particularly, pulp and energy), whose costs are subject to market volatility. We manage the exposure to raw material and energy commodity price changes mainly by monitoring the costs incurred against the budget, with activities aimed to reduce costs and volatility risk through negotiations with suppliers, whenever possible. For example, we enter into long-term agreements with our major suppliers that include agreed price adjustment mechanisms that reflect developments in fibrous raw materials and natural gas prices. See "—Key Factors Affecting Results of Operations and Financial Condition—Prices of Raw Materials."

Credit Risk

Credit risk is the risk of financial loss resulting from counterparty failure to repay or service debt owed to us according to the contractual terms or obligations. The credit risk essentially coincides with the amount of trade receivables recognized at the reporting dates. We currently do not have a significant concentration of credit risk. At the same time, we have adopted internal procedures to ensure that the sales of products and services are conducted with customers that have shown to be reliable in the past and we have stipulated insurance policies to cover unexpected losses. We also constantly check our outstanding receivables and monitor collection within the established time limits.

Liquidity Risk

Liquidity risk is the risk concerning the ability to meet obligations arising out from financial liabilities. Prudent management of the liquidity risk stemming from our ordinary operating activities entails keeping up sufficient levels of cash holdings, short-term securities and funding through adequate credit lines. We must have adequate stand-by credit lines in order to finalize contracts and collect invoices, to an extent that ensures financial flexibility. Our management monitors the projections of cash turnover, including undrawn credit lines, and available cash and cash equivalents on the basis of expected cash flows.

Critical Accounting Policies

The preparation of our Financial Statements requires our management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. For a complete summary of our accounting policies and for information regarding recent and pending changes to our accounting policies, see footnote four to our Financial Statements included elsewhere herein.

Use of Estimates and Assumptions

The preparation of the Financial Statements requires our management to apply accounting policies and methodologies that, in some cases, depend upon difficult or subjective assessments and estimates based on experience and assumptions deemed reasonable and realistic given the specific circumstances involved. Application of such estimates and assumptions affects the figures reported in the Financial Statements. The final results of the items for which such estimates and assumptions have been made may vary from those reported in the Financial Statements that show the effects of the occurrence of the event subject to the estimate, due to the uncertainty that characterizes the assumptions and the conditions on which the estimates were based. The following is a brief description of the accounting policies that entail the greatest extent of management subjectivity in calculating estimates, and for which a change in the underlying conditions and assumptions could have a significant impact on the Financial Statements. For a more detailed description of our significant accounting policies, see note 2.3 of our Financial Statements.

Provision for Doubtful Debt

The provision for doubtful debts reflects our management's best estimate of the losses on the total trade receivables. The estimate is based on our expectations of losses, determined according to past experience with similar receivables, current and previous past-due statistics, careful monitoring of credit quality and projections of economic and market conditions.

Provision for Inventory Obsolescence

The provision for inventory obsolescence reflects our management's best estimate of the losses we expect, determined on the basis of past experience, past trends and expected market trends.

Income Taxes

Deferred tax assets are recognized on the basis of expectations of future earnings. The assessment of expected earnings for the purpose of recognizing deferred tax liabilities depends on factors that may vary over time and may have a significant impact on the measurement of deferred tax assets.

Provision for Warranty Claims

The provision recognized for product warranty claims represents our management's best estimate at the reporting date. The estimate entails making assumptions that depend on factors that may vary over time and may have a significant impact with respect to the current estimates made by management for the preparation of the Financial Statements.

Goodwill and Fixed Assets

Goodwill and fixed assets recognized in the Financial Statements are tested for impairment by calculating the value in use of the cash-generating units ("CGU") to which goodwill has been allocated. Using different methods for the different business segments, we conducted testing in which goodwill was allocated to a group of CGU benefitting from the synergies of the specific business combination (in accordance with IAS 36, paragraph 80). The CGU/groups of CGU were identified, consistently with our organizational and business structure, as uniform combinations able to generate cash flows independently from the continuing use of the assets allocated to them. The structures were grouped together at a regional level to identify the benefits deriving from the synergies. Value in use was measured as the present value of the estimated future cash flows for each CGU in its current condition, excluding estimated future cash flows that could derive from future restructuring plans or other structural changes. The discounted cash flow model was used, which requires future cash flows to be discounted with a risk-adjusted discount rate. The 2017-2020 business plan prepared by our management on the basis of the 2017- 2019 business plans prepared by the subsidiaries' management and approved by our management, used for the impairment testing, is based on variables controllable by our management and theoretical changes in exogenous variables not directly controllable or manageable by our management. If the main estimates and assumptions used to prepare the business plans should change, the value in use and the calculation of the recoverable value of the assets could change. Therefore, we are not able to assure that the assets disclosed in the Financial Statements will not suffer an impairment loss in the future.

INDUSTRY

Certain of the projections and information set forth in this section have been derived from external sources, including industry publications and surveys, industry reports prepared by consultants, internal surveys and third-party reports commissioned by us, as well as from customer feedback. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information or the assumptions on which it is based cannot be guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Certain information in this section has also been based on our own experience, internal studies, estimates and investigations of market conditions, in some cases combined with the aforementioned external sources. We cannot assure you that any of the assumptions we have made are accurate or correctly reflect our position in the market. The information and estimates in this section involve risks and uncertainty and are subject to change based on various factors. See "Risk Factors" and "Forward-Looking Statements." This industry section includes certain technical terms that are commonly used in our industry. See "Glossary of Selected Terms" for a detailed explanation of these terms.

Overview

Through our Paper and Security Segment and our Converting Segment, we operate in the paper, security and converting markets.

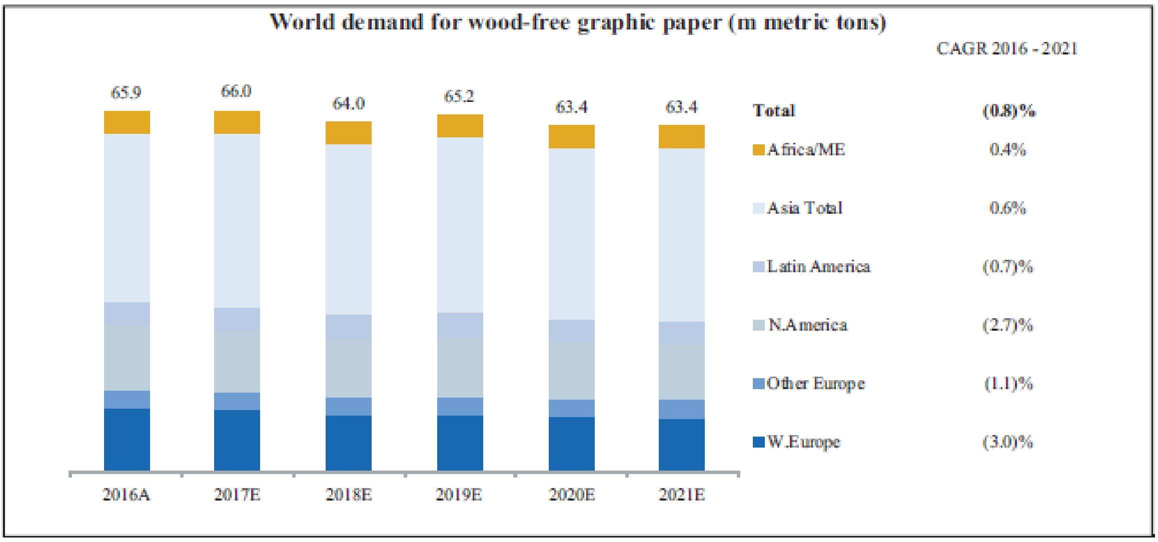
Paper Market

According to the Confederation of European Paper Industries, the paper market can be divided into wood- based and wood-free graphic paper, paper for sanitary and household use, basic paper and cardboard for packaging, and other kinds of paper. The majority of our products are subject to trends in the wood-free graphic paper market, which includes uncoated (or "matte") wood-free paper ("UWF") and coated (or "gloss") wood-free paper ("CWF").

Within our Paper Business Line, we produce (i) specialty graphic paper (including specialty uncoated paper), (ii) drawing and arts paper and (iii) commodity paper (including standard uncoated and coated paper).

As of December 31, 2016, the global market for graphic paper (printing and writing) was approximately 88.1 million metric tons (including newsprint). Wood-free graphic paper (including UWF of 42.9 million metric tons and CWF of 23.0 million metric tons, as of December 31, 2016) represented approximately 74.9% of the total volume of graphic paper. The market for wood-free graphic paper is expected to slightly decrease over the period 2016-2021, both for coated paper (expected negative CAGR of 1.7%) and uncoated paper (expected negative CAGR of 0.3%), especially in Western Europe and the United States (Source: EMGE, September 2017).

The graph below shows actual 2016 volumes of wood-free graphic paper and expected volumes for the period 2017-2021 in Europe and the rest of the world.



Source: EMGE, September 2017

Demand for wood-free graphic paper is linked to demand for paper products in the advertising, publishing, office, schools and packaging sectors, among others.

Specialty Graphic Paper

The specialty graphic paper market can be characterized as small but profitable, and it focuses on paper goods with strong aesthetic appeal and advanced technological features, generally requested by users with specific aesthetic and functional needs. When compared to the wider paper market, demand in terms of volumes for specialty graphic paper is typically low while unit prices and margins are generally higher.

In premium niche markets, due to the greater role of tailored custom features, products require more flexible production structures in terms of quality and quantity, and competition is based primarily on brand awareness, quality, breadth and customization of the product range, distribution model and service.

Many of our production facilities are specifically designed to provide flexibility in responding to customers' needs for tailor-made specialty products which, together with our integrated in-house distribution structure, allows for short delivery times and small minimum order sizes.

As of December 31, 2016, the global specialty graphic paper market was estimated at approximately 800 thousand metric tons (approximately 1% of the global wood-free graphic paper market). Globally, this market is split between fine papers (75%), luxury packaging (20%) and other (5%). Global demand for specialty graphic paper is expected to increase at a CAGR of 1.0% in the period 2010-2025, mainly driven by luxury packaging, which is expected to grow by 4.5% in that period (Source: Leading paper industry consulting firm).

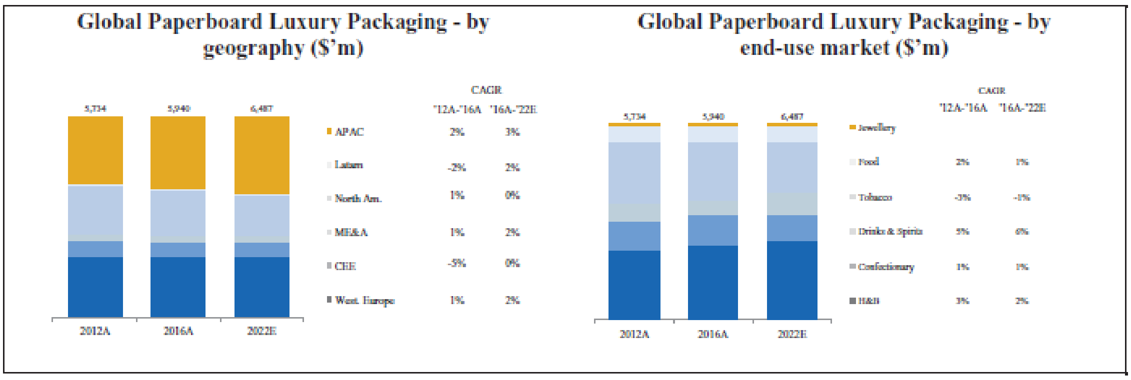
The main demand drivers in the specialty graphic paper market are (i) economic conditions (i.e., corporates' need to promote brands as opposed to potential budget cuts and cost savings that companies incur with their marketing budgets), (ii) media and advertising (shift to digital platforms as opposed to new product launches), (iii) technology (product development, introduction of new and innovative text and cover qualities) and (iv) environmental approach to paper utilization.

Our key applications for specialty graphic paper are (i) luxury packaging and (ii) digital printing.

Luxury Packaging

Paper has a variety of packaging applications, and we focus on luxury premium packaging applications (e.g., packaging for premium cosmetics, luxury jewelry, luxury cigarettes, smartphones and confectionery). The largest markets in terms of volumes for luxury packaging are Asia Pacific (representing approximately 35% of total volumes) and Western Europe (representing approximately 30% of total volumes). The Western European market is expected to increase at a CAGR of 2% in the period 2016-2022 (Source: Smithers Pira; management analysis).

The chart below shows historical and expected market size for luxury packaging over the period 2012-2022 in terms of geographic markets and end-use markets.



Source: Smithers Pira; management analysis

Paper (and, more precisely, paperboard) is expected to retain a stable share of luxury packaging applications (approximately 40%) mainly driven by a strong demand in health and beauty as well as wines and spirits, due to its technical (e.g., easily recyclable), economical (e.g., light to transport) and easy-to-customize features (e.g., inexpensive base and luxury finish) (Source: Smithers Pira; management analysis).

The main trends supporting growth of luxury packaging are premiumization, SKU proliferation, customization, personalization, and consumers' and brand retailers' demand for variety at higher frequency and increasingly premium standards.

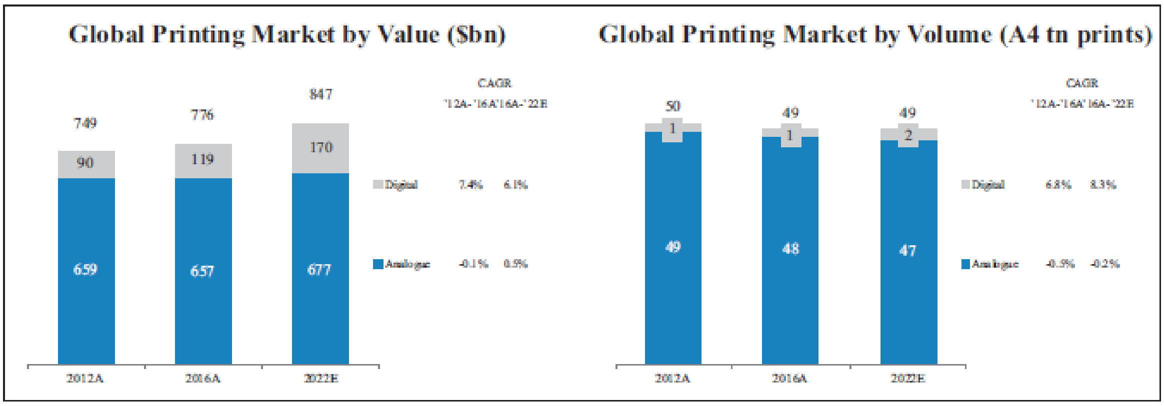
Digital Printing

Digital printing is a professional printing method that uses a digital-based image. The continued shifts toward short print runs, personalization and on-demand printing has driven growth in the digital printing market with traditional analogue printing methods continuing to lose market share. As such, digital printing is a key focus area for most specialty graphic paper producers as they look to differentiate themselves and develop higher quality paper grades for this advancing technology.

As of the year ended December 31, 2016, the digital printing market was estimated at approximately $120 billion in value, with a CAGR of 7.4% in value and 6.8% in volume in the period 2012-2016, gaining market share as compared with traditional analogue printing (which had a negative CAGR of 0.1% in value and 0.5% in volume in the period). Such trend is expected to continue, with digital printing increasing at a CAGR of 6.1% in the period 2016-2022 in value and 8.3% in volume compared to traditional analogue printing (which is expected to report a positive CAGR of 0.5% in value and a negative CAGR of 0.2% in volume in the same period) (Source: Smithers Pira; management analysis).

Despite such growth, digital printing total volumes are expected to remain marginal compared to traditional analogue printing methods (expected to be around 4% of the global printing market in 2022), while they are expected to account for 20% of its value (Source: Smithers Pira; management analysis). This increase reflects a shift away from continuous mono laser to full color with significantly higher asset value.

The graph below shows historical data and the expected evolution of the global printing market over the period 2012-2022 in terms of value and volume.



Source: Smithers Pira; management analysis

Drawing and Art Paper

The drawing and art product line includes drawing paper for schools and artwork paper for professionals and amateurs used for artwork techniques and fine art printing.

The European market, which is our main market for drawing and art papers, is estimated to be 40-45 thousand metric tons, which is approximately half the size of the global market at approximately 80 thousand metric tons (Source: Leading paper industry consulting firm). Although the traditional drawing and art paper markets are mature, there are also growth drivers keeping the market relatively stable, including (i) growth in the digital drawing and art paper market, (ii) quality product upgrades in Asia and (iii) introduction of new products (e.g., paper to substitute canvas). The market is served by few companies, of which our Fabriano brand is one of the most well-known.

Commodity Paper

Commodity paper includes standard CWF and UWF paper. The market for CWF paper mainly includes commercial printing (e.g., corporate communications and promotions) and magazines, accounting for over 60% of the market by volume, as well as direct mail and books. The market for UWF paper mainly includes office paper. Commodity paper represents a small portion of our sales revenues and is produced to complete our product offering and maximize capacity utilization. Commodity paper often has low margins, but we believe demand for commodity paper is resilient to market changes.

Competition in the Paper Market

Several large multinational groups, some of which are publicly traded, operate in the global paper market. They have international sales and production, with factories located on several continents. They are often integrated upstream (particularly in the production of raw materials such as cellulose) and produce all types of paper (including wood-based and wood-free graphic paper, packaging paper and card and paper for sanitary use). Compared with global commodity players, we have a smaller and more flexible production capacity, which mainly focuses on the manufacturing of high quality and customized products.

Barriers to entry are significant, and are associated not only with production facilities (investments required to build production facilities are significant) but also with distribution networks. For example, our widespread direct sale and distribution network, characterized by a "direct go-to-market approach," gives us access to premium customers by providing customized products in short delivery times, which are not accessible to larger commodity manufacturers that typically do not rely on a direct distribution system. The vertical integration of certain operators represents a further barrier to entry. Many industrial groups are integrated upstream and produce the principal raw material (cellulose) in addition to paper.

Specialty Graphic Paper

Specialty niches are served by a small number of operators, and some suppliers are moving from commodity machines to specialty machines in order to drive higher margins. The main players include Fedrigoni, ArjoWiggins, Cropper, Favini and Cordenons.

We are the leading player in the specialty graphic paper market in Europe and Latin America, with a global market share of approximately 10% (Source: Leading paper industry consulting firm). This market is characterized by the following high barriers to entry: (i) scale and efficiency, (ii) range of SKUs, (iii) quality, (iv) innovation and R&D, (v) direct distribution approach with supply flexibility and order customization, and (vi) brand reputation, consistency in execution and relationships with key brand managers, agencies and printers.

Luxury Packaging

We are a leading player in Europe with long-lasting relationships with leading luxury brands. Our competitive advantage is linked to our high value added production capabilities and know-how, flexible production based on customers' needs (e.g., more than 2,220 special products and 2,400 standard items), highly-recognizable brand, innovative skills with the ability to introduce new products to market over time (e.g., textures, surface finish and base-weight) and our distribution network with quick deliveries compared to competitors.

Digital Printing

The competitive landscape for digital printing varies across geographies, with high concentration in Asia Pacific (with one producer, Zhejiang Welbon) and North America (with two producers, Suzano and Scrive) and more fragmented market in Europe. We are a European market leader in terms of capacity serving both toner and inkjet.

Drawing and Art Paper

The drawing and art paper market is characterized by branded products and few (approximately five) strong European players (i.e., Canson, F.I.L.A., Fedrigoni, Favini, Clairefontaine and Hanemuhle FineArt), creating high entry barriers. We have more than 70% of market share by volume in Italy and are the second largest player in Europe (following Canson) with a market share of approximately 20% (Source: Leading paper industry consulting firm). Our competitive advantage is based on Fabriano's, high, long-standing brand perception as a quality paper producer, strongly recommended by teachers and schools in Italy, wide range of products (1,000 standard products and more than 600 specialty products), proximity of our distribution network to our customers located in Europe and continuous development of new products and strong back-selling team coupled with strong production capabilities.

Commodity Paper

Competition in the commodity market is high and price-based. Competitors focus primarily on reducing production costs and achieving economies of scale. We believe that our key strengths in this market are our integrated distribution network downstream and our flexible production system, which ensure a rapid response to the requirements of the distribution network. In addition, proximity to the Balkan region reduces distribution costs and increases our cost competitiveness in the region.

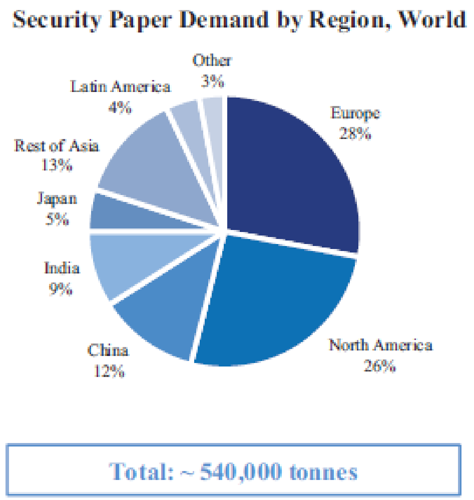
Security Market

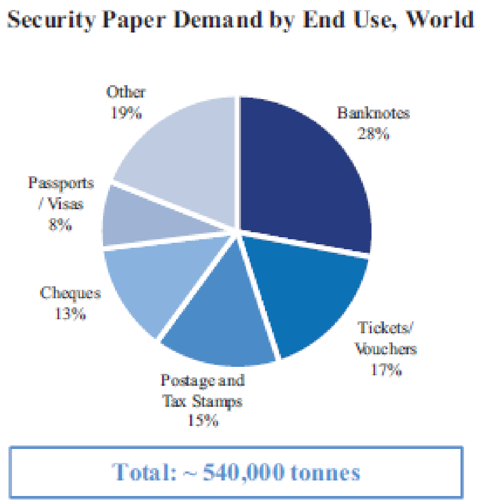
The Security market mainly consists of (i) the security paper market (banknotes and other security paper) and (ii) the security features market (holograms, threads, taggants, inks, print, etc.).

Security Paper Market

The security paper marker mainly comprises banknotes paper (28%) and other security papers, such as tickets / vouchers (17%) and postage and tax stamps (15%) (Source: leading paper industry consulting firm). We are mainly present in the banknote segment, where global demand is approximately 150-160 thousand metric tons per year (Source: Leading paper industry consulting firm).

The graph below shows the global demand for security papers by geographic markets and end-use markets.



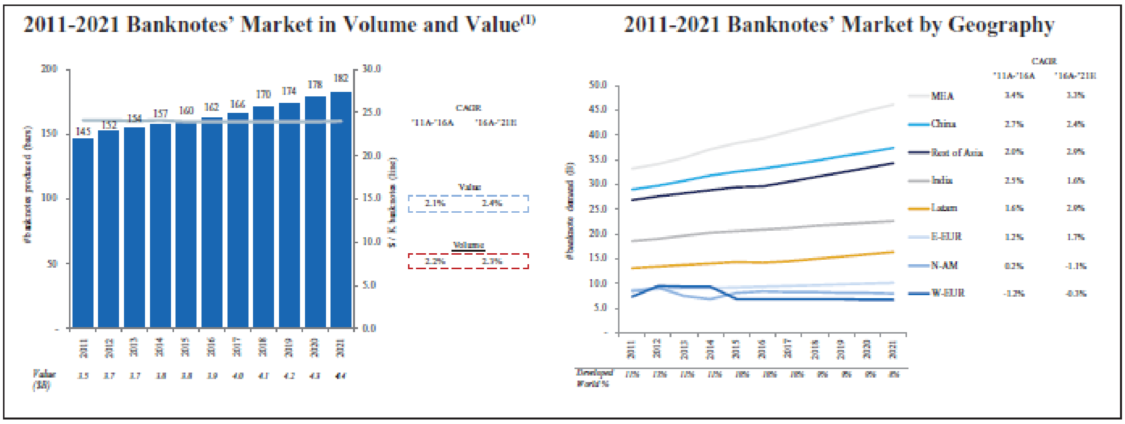


Source: Leading paper industry consulting firm

The overall demand for security papers is growing globally. Only a few specific end uses such as checks are declining, while global demand for most products is increasing.

Banknotes Paper

Banknotes paper production by volume has increased at a CAGR of 2.2% in the period 2011-2016 and is expected to increase at a CAGR of 2.3% in the period 2016-2021, with growth mainly driven by emerging countries (MEA 3.3%, LatAm 2.9%, China 2.4% and India 1.6%), inflation, continued GDP growth and an active consumer economy (Source: Smithers Pira; management analysis).



Source: Smithers Pira; management analysis

(1) Value ($ billion) for substrates only (paper, plastic, inks etc.) and not for the value of the printed bank notes.

We produce traditional and longer-lasting paper, but do not produce polymer-based materials. Demand drivers for banknotes depend on several factors, including: (i) population growth, (ii) economic growth (global banknotes demand is shifting from developed to developing countries driven by stronger economic growth), (iii) inflation, (iv) change in banknotes series, (v) change in the climate impacting the banknotes' useful life, (vi) usage of electronic payment methods and (vii) central bank policies and counterfeiting encouraging the use of tax stamps and brand protection.

The main trends potentially affecting the banknotes segment are described below.

- *Polymer Banknotes*: Polymers are substitutes for paper in the security business. Use of these products is intended to provide longer service life of banknotes, although their cost is considerably higher than paper. However, as an alternative to polymers, various types of long-life paper have been introduced over time, which also significantly increase banknote life. We currently do not produce polymer-based materials. Polymer is forecasted to increase over the next ten years (e.g., the Bank of England recently started to circulate polymer banknotes); however, cotton remains the major banknotes component as a result of (i) the decision by the European Central Bank in 2014 to exclude polymer banknotes production and (ii) limited existing production capacity for polymer banknotes, high switching costs and counterfeit concerns relating to the production of polymer banknotes.

- *Digitalization*: Other possible substitutes include electronic and digital payment methods, which are gradually and constantly increasing. So far, banknotes substitutes have only cannibalized themselves (e.g., e-payment and wireless cannibalizing credit cards use), with no impact on currency demand. More than 80% of global consumer transactions are still in cash and resilience shown even in countries at the forefront of electronic payments adoption, such as the United Kingdom. We believe the volume of cash transactions in the United Kingdom only decreased by negative CAGR of 0.7% over the period 2007-2017, compared to electronic payments which grew at CAGR of 9.1% over the same period.

- *Production insourcing*: Currently, there is limited history of decision to insource paper productions (i.e., India, France, Spain and Indonesia). However, the recent decision by a material customer of our Security Business Line to insource its paper production and to temporarily interrupt all of its banknote orders had a significant impact on the banknote production. There is limited risk from further insourcing as (i) economic break-even is only achieved at significant volumes of production (e.g., the European Central Bank produces banknotes on a country level and none of the European countries have the capacity to reach such economic break-even) and (ii) significant quality and counterfeiting issues may arise from insourcing production, thus requiring a long time to develop the necessary technology (e.g., India effectively developed technologies for insourcing over a period of ten years).

Security Features Segment

The security features market (e.g., inks, holograms, threads) provide further opportunities for differentiation in a market expected to grow at a CAGR of 3.6% in the period 2017-2022 (Source: Smithers Pira; management analysis).

Competition in the Banknotes Market

Historically, the production and printing of banknotes' security paper and features has been dominated by state-owned companies. We believe that more than half of countries' current demand for banknotes is being met by state-owned companies.

Countries that do not have their own mills or countries that do not have enough production capacity source security paper and features for banknotes from a small number of private companies. As of December 31, 2016, the global demand on such private companies amounted to approximately 60-70 thousand metric tons, which is approximately 40-50% of the overall banknote paper and features market. Our market share among those private companies is approximately 21% (Source: Leading paper industry consulting firm).

Barriers to entry are high and mainly relate to (i) the specific technical know-how (often protected by patents) required for the manufacturing of highly sophisticated and technological advanced products and to operate with highly demanding institutional clients and (ii) the accreditation process/relationship with institutional customers (e.g., central banks and government printing offices) relying on confidentiality, professionalism and trust earned over time and through reliably high performance. This, coupled with the importance of using high standards raw materials, gives us strong bargaining power.

Converting Market

The converting business is a segment of the market for adhesive products. A variety of technologies for adhesive labels are currently available, including wet glue (when glue is applied to the label before the label is affixed to the product), pressure-sensitive or self-adhesive labels ("PSL" or "SAL," when the adhesive is already on the back of the label and is activated by pressure), in-mold technology (when a plastic film is melted and incorporated into a container by the action of heat) and sleeving technology (when a plastic film contracts around a container and adheres to it when subjected to heat).

In most end markets of the converting business, wet glue technology is being replaced with pressure-sensitive technology because PSL labels are more flexible, more easily applied, have lower manufacturing costs and provide high-quality graphics with high durability in wet conditions. Our Converting Segment produces self-adhesive products that use pressure-sensitive technology.

As of December 31, 2016, the global market for self-adhesive labels was approximately 23.4 billion square meters (Source: Leading paper industry consulting firm).

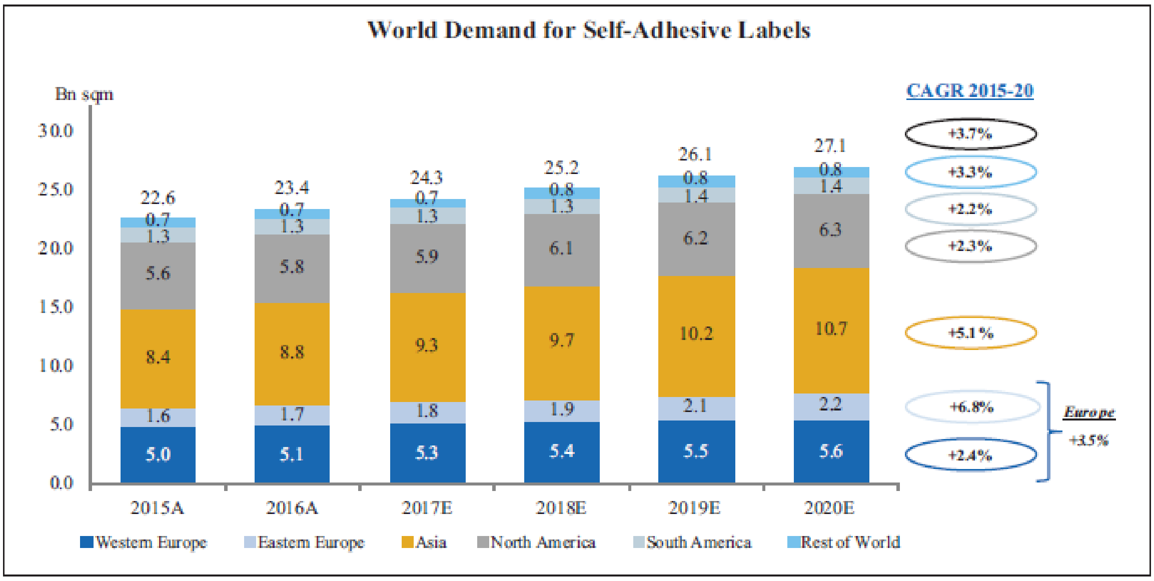
Over the past two years, growth in global demand for labels has been stable, supported by the growth in demand for individual technologies (such as in-mold, sleeving, glue applied and pressure-sensitive products), with glue applied labels losing market share mainly in the wet/cold glue-applied sub-segment, due to a strong performance of pressure-sensitive technology.

Self-Adhesive Label/Pressure-Sensitive Label (SAL / PSL) Segment

Self-adhesive products are used in a significant number of sectors, such as the chemical and pharmaceutical industry, the automotive industry, logistics, and the food and beverage industry ("F&B"). We believe the F&B industry is the main market for end-use labels (which represents approximately 40% of the self-adhesive end-use market) and is considered the key market for specialization in high value labels (according to a leading paper industry consulting firm). The F&B industry is our main market, for which we produce labels for wine bottles, spirits, gourmet foods and olive oils.

PSL market volumes are expected to increase at a CAGR of 3.7% in the period 2015-2020. It is expected to be the fastest growing category in the global label market, with growth driven by (i) the Asian market (expected to increase at a CAGR of 5.1% in the same period), where the use of self-adhesive paper per capita is still significantly low compared to more developed countries and (ii) the development of the wine label market. (Source: Leading paper industry consulting firm).

The graph below shows the actual volumes for 2015-2016 and expected volumes for 2017-2020 for self-adhesive labels in terms of geographic markets.



Source: Leading paper industry consulting firm

The most favorable growth prospects for self-adhesive products are concentrated in emerging markets, where per capita consumption of self-adhesive labels is still very low and potential for growth is higher.

The SAL / PSL segment (and in particular specialty products) is expected to grow faster than other technologies mainly driven by long term shifts from wet glue to PSL technology thanks to (i) more flexibility to innovate shapes, materials and other possible designs, (ii) higher quality digital printing (liner support), (iii) easy adaptation to smaller bottling runs (in line with trend), (iv) rising brand security product authentication, (v) uniformity of the adhesive with cleaner and better consistency and (vi) durability to wet conditions.

Wine Labels

One of our key premium niche markets in the Converting Segment is the wine labels market. Global wine production is stable, with the European market accounting for approximately 60% in volume as of 2016 (Source: Leading paper industry consulting firm). The European market is expected to experience a decline in market share due to the growth of "new world" markets such as the United States, Australia and South Africa. The wine label market is characterized by growing premiumization trends and production shifting toward higher-end wines, thus increasing demand for "specialty" wine labels. While wine labels do not significantly impact the cost of production associated with wines, they represent a key driver in the purchasing decisions made by wine consumers, particularly in terms of design and quality. In "new world" markets, wine production is carried out by large wineries, such as Concha y Toro, Gallo and Accolade Wines, with high capacity to expand and market their wines compared to the European market, which is more fragmented and has smaller players.

The global wine label market is characterized by a continuous shift towards pressure sensitive labels (replacing old, glue-applied labels), expected to grow from 72% share in 2016 to 76% in 2020 (1.4% CAGR) mainly driven by Europe (expected to increase from 61% in 2016 to 66% in 2020 (2% CAGR)) (Source: Leading paper industry consulting firm). The PSL wine label market is very mature and is expected to grow moderately at a CAGR of 0.6% in the period from 2016-2020, with CAGRs of 0.8% in Europe, 1.9% in North America and 1.5% in South America (Source: Leading paper industry consulting firm).

Competition in the Converting Market

The converting market is fragmented, with a limited number of large players and several small local producers who participate in parts of the converting process. The only two global players are Avery Dennison and UPM (which operate mainly in the market for commodity-like products), followed by numerous small- and medium-sized players. Our market share by volume in the converting market is approximately 11% in Europe (mainly Italy and Spain) (Source: Leading paper industry consulting firm). Despite a small market share, we have a competitive advantage in the converting business due to (i) our capability to produce premium specialty products thanks to vertically integrated production of specialty graphic papers, which enables customization and a flexible production set-up, and a specific go-to-market approach, and (ii) the leading position of Arconvert as premium niche producer, due to its distinctive promotional catalogue offerings, wide range of premium products that are not available to competitors and strong relationships with end-users.

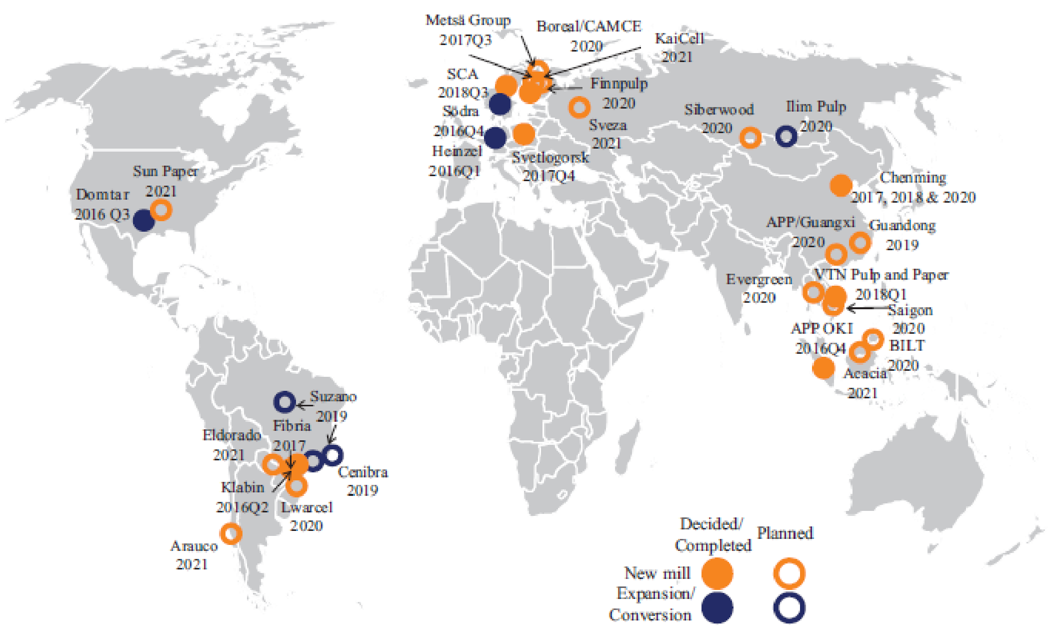
We have a strong position in certain premium niche markets such as the market for wine bottle labels, where the breadth and quality of our products are an important competitive advantage. In the wine label market, as of December 31, 2016, we are the second largest player globally and the largest player in Europe (with approximately 42% of market share by volume) and the largest player in France and Spain (with approximately 50% of market share by volume) (Source: Leading paper industry consulting firms).

Raw Materials

Our main raw material is pulp, which represented 29.0% of our cost of raw materials for the twelve months ended March 31, 2018. Pulp is converted from wood by means of mechanical or chemical processes. The price for pulp is highly volatile and sensitive to changes in the industry capacity, producer inventories, the demand for paper, cyclical changes in the global economy and currency fluctuations, especially relating to the U.S. dollar.

In terms of market demand/supply dynamic, the relevant pulp price started to increase in 2016 and is expected to peak in 2018 (up to an increase of 10% over 2017). Thereafter, prices may decline as new production capacity (currently under maintenance) comes to the market that may help reverse the trend for 2019 and 2020.

Largest Decided and Planned Pulp Project



Source: Leading paper industry consulting firm

BUSINESS

This business section includes certain technical terms that are commonly used in our industry. See "Glossary of Selected Terms" for a detailed explanation of these terms. We have estimated certain information in this Offering Memorandum regarding market share and our position relative to our competitors based on our internal data and certain extrapolations. See "Industry and Market Data."

Overview

We are a leading European manufacturer and distributor of specialty paper, self-adhesive products and security products, such as banknote paper and security features. We are the leading manufacturer and distributor of specialty paper in Europe and Latin America by volume as of December 31, 2016. We have leading market shares in the production of specialty graphic paper, such as paper used for the luxury packaging market, as well as drawing and art paper. We expect the recently-announced acquisition of Gruppo Cordenons S.p.A., an Italy-based manufacturer and distributor of fine paper products with a focus on high-end luxury packaging and premium graphic applications, to further strengthen our presence and market shares in specialty graphic papers. Our product offering also includes a wide range of drawing and art paper marketed under the highly-recognizable Fabriano brand. We are the second largest manufacturer of self-adhesive products for the wine industry globally, with approximately 29% of global market share by volume in self-adhesive products for wine bottle labels, and the largest manufacturer in Europe, with approximately 42% of European market share by volume, in each case as of December 31, 2016. We are also a leading manufacturer of banknote paper, selling our banknote paper in Europe, Latin America, Asia and Africa, with a global market share of approximately 20% by volume in the banknote market open to competitive tender as of December 31, 2016, the only manufacturer of banknote paper with operations in Latin America, and one of the top manufacturers of security products in the European market. We also produce commodity paper products consisting of premium uncoated and coated paper for general use and office paper. For the twelve months ended March 31, 2018, we generated sales revenues of €1,057.2 million, of which 30.3% was generated in Italy, 38.7% in the rest of Europe and 31.0% in the rest of the world, Pro Forma Adjusted EBITDA of €142.7 million and net profit of €70.7 million.

We have a unique and broad product portfolio of more than 22,000 SKUs that we manufacture through our flexible production process and market through our direct distribution system to a diversified clientele of approximately 23,000 customers, ranging from large to very small premium customers. We design customized products based on customers' feedback thanks to the flexibility of our equipment and to our widespread direct sale and distribution network. We currently operate 14 production/finishing facilities in Italy, Spain, Brazil and the United States, of which six are paper mills. In the twelve months ended March 31, 2018, we sold approximately 438 thousand metric tons of paper (including interdivision sales) and approximately 134 thousand metric tons of self-adhesive products. We distribute our products in 128 countries and, with our 21 direct distribution branches, have a direct presence in all major European markets, as well as in the United States, Latin America and China, where we see significant opportunities for growth. We also own twelve Fabriano retail boutiques across Europe through which we market our fine paper and other stationery products under the Fabriano brand.

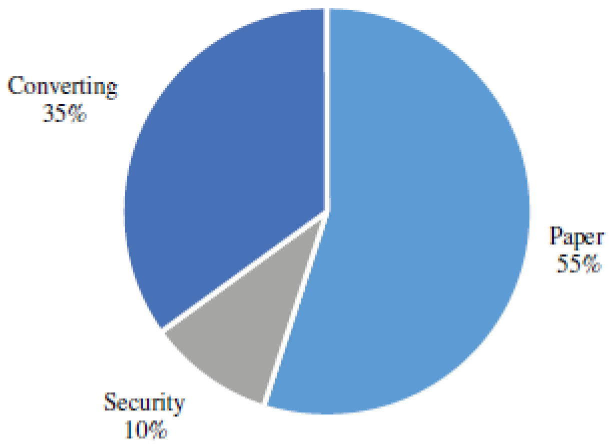
On May 27, 2018, we agreed to acquire Gruppo Cordenons S.p.A. Cordenons has sales in more than 90 countries and a product portfolio of more than 2,500 SKUs, and it had annual production of approximately 37,000 metric tons of paper in the year ended December 31, 2017. For the twelve months ended March 31, 2018, Cordenons generated €89.8 million of gross sales and €14.8 million of adjusted EBITDA. We expect the Cordenons Acquisition to further strengthen our product offering, customer base and production capacity, increasing our scale and market shares in our core niche markets for specialty graphic paper, particularly in Europe, while at the same time broadening our customer base and providing cost savings opportunities in procurement activities. See "Summary—The Transactions—The Cordenons Acquisition."

Our specialty paper-focused offerings provide us with stable and defensible cash flow generation, and we believe that our highly customized and flexible production processes, resulting from the use of our multi-function and versatile machinery, will enable us to continue to shift even more volumes from commodity products into specialty products and increase our profitability. We have a strong track record of growth, both organically and through focused acquisitions, and we have historically outperformed the overall market for paper, growing at a CAGR of 1.5% between 2012 and 2017 compared to a decline in the global market for paper of 0.4% in the same period, mainly thanks to our focus on premium products, such as specialty paper.

We conduct our operations through two segments: the Paper and Security Segment and the Converting Segment which, before interdivision eliminations, accounted for 77.4% and 24.2%, respectively, of our Adjusted

EBITDA in the twelve months ended March 31, 2018. The Paper and Security Segment is organized in two business lines: the Paper Business Line and the Security Business Line. The graph below sets forth our Adjusted Sales Revenues by business line for the twelve months ended March 31, 2018:

Total Adjusted Sales Revenues by Segment/Business Line(1)



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(1) Includes sales by the Paper Business Line to the Converting Segment and the Security Business Line.

Paper and Security Segment: Our Paper and Security Segment produces various types of paper and security products. Our Paper and Security Segment generated sales revenues of €722.5 million for the twelve months ended March 31, 2018. The Paper Business Line produces and markets specialty graphic paper, drawing and art paper, premium commodity paper, coated and uncoated paper, office paper and other kinds of paper products. Our specialty graphic paper end users include blue chip companies, such as luxury fashion brands that use our paper in their luxury packaging. Our Paper Business Line also includes the highly-recognizable Fabriano brand, which designs and markets drawing and art paper, office paper, fine stationery products, leather goods, writing products and other items, produced both in-house and by third parties using paper made by our Group. Our Paper Business Line focuses on the attractive specialty paper market, with commodity products being used primarily to fill capacity. The Paper Business Line generated sales revenues of €557.7 million for the twelve months ended March 31, 2018. As of March 31, 2018, we had approximately 17,000 customers in our Paper Business Line. We are further expanding our offering of specialty paper products through the acquisition of Cordenons. The special papers produced by Cordenons include a wide range of fine paper in various formats, grammages and colors, which are suitable for various applications, especially in the luxury packaging and graphic markets. See "*Summary—The Transactions—The Cordenons Acquisition*."

The Security Business Line produces banknote paper, other paper-for-value items, such as checkbooks, passports, tickets and meal vouchers, and security features such as holograms and security threads for banknotes and other security products, such as passports and checks. We are not involved in the production of the final products such as banknotes or checks, which are printed by our customers. Our Security Business Line customers include public entities such as central banks, but also private companies involved in the production of security products. The Security Business Line generated sales revenues of €164.8 million for the twelve months ended March 31, 2018. As of March 31, 2018, we had approximately 300 customers in our Security Business Line.

Converting Segment: Our Converting Segment produces a broad range of self-adhesive products intended for the production of labels and similar items. Self-adhesive products are used in virtually every sector of merchandising, with labels representing a key element of almost all packaging products. Through our Arconvert and Manter brands, we serve a broad portfolio of paper and film label producers and distributors as well as several premium niche markets, including producers of labels for premium beverage, wine and spirit brands. Our Converting Segment generated sales revenues of €360.3 million for the twelve months ended March 31, 2018. As of March 31, 2018, we had approximately 6,000 customers in our Converting Segment.

As of March 31, 2018, we had 2,708 full-time employees, of which 2,125 were employed in the Paper and Security Segment and 583 in the Converting Segment. Our headquarters are in Verona, Italy.

Our Strengths

Leading Position with Demonstrated Growth in Profitable Premium Niche Markets

We are positioned as one of the leading European players in premium niche markets for paper and self-adhesive products, such as specialty graphic paper (e.g., for luxury packaging) and self-adhesive paper and films (e.g., for the wine label industry), which are characterized by high product quality, customized product range and a high level of customer service. We are the leading manufacturer and distributor of specialty paper in Europe and Latin America by volume as of December 31, 2016. We believe that the Cordenons Acquisition will further enhance our leading position in the European market for specialty paper. In the specialty graphic paper market, we believe we are the leading supplier of specialty graphic paper globally, with a market share of approximately 10% by volume as of December 31, 2016. We are also the second-largest player globally of drawing and art paper, which we market under the highly-recognizable Fabriano brand and a leading market share of approximately 70% in Italy, in each case by volume as of December 31, 2016. We are the third largest manufacturer of self-adhesive labels in Europe and, more specifically, we are the second largest manufacturer of self-adhesive products for the wine industry globally, with approximately 29% of global market share by volume in self-adhesive products for wine bottle labels, and the largest manufacturer in Europe, with approximately 42% of European market share by volume, in each case as of December 31, 2016. In addition, we are a leading global manufacturer of banknote paper, with a global market share of approximately 20% by volume in the banknote market open to competitive tender as of December 31, 2016. We are also the only manufacturer of banknote paper located in Latin America and one of the top manufacturers of security products in the European market.

We are also able to leverage our leading market positions in these premium niche markets, which we believe to be the most profitable markets in the paper industry, to command premium prices compared to our competitors, due to our ability to ensure high product quality, an excellent level of service, and a broad and deep product range tailored to customer needs, and, compared to our smaller competitors, to obtain favorable commercial terms from our suppliers.

We have historically outperformed the market in the premium niche markets in which we operate, growing our sales at a CAGR of 1.5% between 2012 and 2017 compared to a decline in the global market for paper of 0.4% in the same period. In particular, our sales for specialty graphic paper products grew at a CAGR of 6.2% between 2012 and 2017 and our sales for converting products grew at a CAGR of 6.1% in the same period. Between 2015 and 2017, Cordenons grew sales at a CAGR of 1.9%, mainly driven by an increase in volumes of products sold. We believe that our leading position and our strong historical track record of growth will enable us to take advantage of the development of the markets in which we operate.

Strong Heritage and Well-Established Brand Recognition

We are a specialty paper and self-adhesive products manufacturer, with a strong reputation in premium niche markets that sets us apart from larger paper makers focused on commodity papers. Our strong competitive positions in the premium niche markets are underpinned by our well-established brands, including the Fedrigoni, Fabriano, Arconvert, Manter and GPA brands. Our Fedrigoni brand, with its 130-year history, is associated with excellence, quality and innovation in specialty papers, and is a reliable partner for companies operating in this sector such as printers and paper processors for luxury packaging. Our Fabriano brand, with a papermaking tradition dating back 750 years, is one of the oldest paper brands in Europe, and we believe it is perceived as synonymous with very high-quality paper made in Italy. The “Fabriano 4” paper block in particular, which has been part of the standard school materials for Italian schoolchildren for more than 40 years, is a product with very strong brand awareness and is used by three million students annually. Our Arconvert and Manter brands have gained a leading position in the sector of self-adhesive papers and films, and are associated with high quality products such as labels for the wine industry. We also market our paper and self-adhesive products in the United States through our GPA brand, following the acquisition in 2015 of one of the leading U.S. players in the distribution of special digital paper and self-adhesive products. Customer surveys indicate we have the highest net promoter score in the premium niche markets in which we operate, which shows the strength of our brand and the loyalty of our customers. We believe that the acquisition of Cordenons, with its fine paper brands such as Astrosilver, Modigliani, Wild, Papermilk, Dalí and Malmero, will also strengthen the range of our highly-recognizable brands in the specialty paper market. We also believe that brand awareness makes it difficult for new competitors to enter into our premium niche markets, since their brands may be less recognizable to customers.

Cash Generative Business Highly Resilient Through Economic and Raw Material Input Cycles

Our business has delivered consistent sales growth and resulted in stable cash flow generation in recent years. Our sales have steadily increased at a CAGR of 3.4% over the last ten years, showing a strong and resilient financial profile through macro-economic and commodity price cycles. Our Adjusted Cash Conversion was 65.6%, 76.5% and 70.2% for the years ended December 31, 2015, 2016 and 2017, respectively, and 87.3% for the twelve months ended March 31, 2018, and our Normalized Capital Expenditures amounted to €21.7 million, €21.4 million and €21.9 million for the years ended December 31, 2015, 2016 and 2017, respectively, and €20.5 million for the twelve months ended March 31, 2018. While our Adjusted EBITDA Margins have been relatively stable (12.3%, 13.4% and 12.4% for the years ended December 31, 2015, 2016 and 2017, respectively, and 12.3% for the twelve months ended March 31, 2018), we see significant upside in our ability to identify new opportunities for volume growth and increase our margins, which we believe can be further improved by expanding our geographic footprint and product offering, by increasing our leading position in premium niche markets and, at the same time, by reducing our costs and streamlining our procurement function. Our business has also shown a high degree of resilience during periods of global economic downturn, including a certain degree of counter-cyclicality. The prices of raw materials used in our production cycle (such as pulp, natural gas, mineral coatings and chemical products) typically decline during periods of economic downturn, thus decreasing our raw materials costs. At the same time, the flexibility of our production processes allows us to rapidly adapt to changes in customer demand and to optimize capacity utilization and therefore typically results in only modest declines in demand for our paper products. For example, in 2009, we experienced only a moderate decline of 2% in sales revenues compared to the previous year, which was more than offset by a significant decline in the costs of pulp and cotton, and we experienced an increase of 28% in Adjusted EBITDA during such period. Moreover, while profitability for commodity paper is more sensitive to the price of pulp, specialty papers and converting products are less tied to swings in the price of pulp due to a high ability to pass through raw material price increases to customers, and therefore as we continue to shift volumes from commodity to specialty products we expect our results of operations to be less affected by fluctuations in raw material prices than paper producers focused on commodity paper production.

Specialty Driven, Highly Flexible and Synergistic Production Process

Our production process is based on the use of small and medium-sized, multi-function and versatile machinery, often custom-designed by our technicians to produce a wide variety of graphic paper and self- adhesive products. Our multi-function machinery allows us to produce a broad range of specialty papers. Our flexible production process allows us to offer a broad range of products tailored to our customers that would be difficult for larger, bulk commodity paper manufacturers to replicate (particularly in terms of managing small and fragmented orders, due to less flexible production facilities, which do not allow a great customization of the final product). Approximately 70% of the products we manufacture across our two segments are high margin premium products. Our flexible production process also enables us to balance risk exposure across economic cycles (in light of different market dynamics affecting each of our business lines) and to quickly switch our production focus by adjusting to relevant market changes. By leveraging the high flexibility of our production facilities and the wide knowledge of our markets and customers, we can plan in a timely manner for an optimum mix of finished and semi-finished products, with the objective of maximizing profitability by prioritizing products with higher margins, ensuring customer service (i.e., having the necessary product at the right time) and minimizing working capital. In addition, the high level of technical expertise in the paper production processes enables us to operate with a streamlined workforce, maintain a level of efficiency in line with the best market standards, and to control costs.

We also benefit from a highly synergistic production cycle. The Paper Business Line, the Security Business Line and the Converting Segment serve different markets but share the same requirement to offer customers high quality, tailored and broad product offerings. Part of our specialty graphic paper production is allocated to the Converting Segment, which allows us to reduce purchasing and production costs and fill our production capacity, which is critical to ensure fixed costs absorption. Moreover, our strong direct distribution network provides us with bargaining power vis-à-vis third party distributors. At the same time, we use our paper distribution network to market our converting products and provide our customers in the Converting Segment with access to a complete range of specialty products developed by the Paper Business Line that are not available to competitors. A number of our specialty paper production lines are also shared with our Security Business Line, which allows us to optimize capacity utilization and minimize the production time allocated to commodity products. Moreover, we can leverage our know-how in the Converting Segment to develop adhesive elements for our security paper production.

Efficient Direct Distribution System Serving a Diversified, Blue Chip Customer Base

Our distribution system is characterized by a "direct go-to-market" approach. We rely on a wide distribution structure that we manage directly, which allows us to exercise control in the distribution of our products and to sell these products to a highly fragmented customer base. We have 21 direct distribution branches in Europe, the United States, Latin America and China, as well as twelve Fabriano retail boutiques across Europe. Our "direct go-to-market approach" differentiates us from larger commodity manufacturers, which typically do not rely on a direct distribution system and do not customize their products on the basis of direct dialogue with customers, and therefore lack access to smaller and premium customers. Our direct distribution system is also supplemented by a network of distributors and independent agents who sell the majority of our products in 128 countries.

Our unique and broad product portfolio of more than 22,000 SKUs and the level of specialization we provide has resulted in a highly diversified customer base. The flexibility of our production and distribution structure and the integration between our Segments enable us to serve both large and premium customers. Our end users include global blue chip companies, such as famous luxury fashion brands using our paper in their luxury packaging and global wine and spirit producers using our Converting Segment's self-adhesive products to produce their labels. For the twelve months ended March 31, 2018, we had approximately 17,600 customers in our Paper and Security Segment as well as 6,000 customers in our Converting Segment, and our ten largest customers in the Paper Business Line and the Converting Segment accounted for 4.6% and 3.6% of our sales revenues, respectively. We also benefit from multi-year relationships with key decision makers in the markets in which we operate, such as brand managers, creative agencies, designers and printers. We expect the end users of our premium products to continue to demand more variety, higher frequency and at increasingly premium standards for their packaging, labelling and paper needs, which we expect to continue to drive volumes and enhance the profitability of our specialty paper and converting businesses.

Highly Experienced Management Team with a Strong Track Record and Strong Sponsor Support

We have a highly experienced management team. Our senior managers have a combined total experience of over 100 years in our industry and a strong track record in optimizing our business model that is highly regarded in the specialty paper industry. In addition, our management team has significant operating experience, having successfully reorganized our operations, which are now highly integrated, with centrally managed sales, marketing, risk, management, finance and administration functions. Participating members of our senior management will be granted an incentive package with a strong focus on increasing EBITDA and cash generation in connection with the Transactions. The management team has delivered results under volatile and varied macroeconomic conditions, including the global economic downturn and weak growth in our Western European markets. In addition, we benefit from the market expertise, business relationships, knowledge and experience of our Sponsor, Bain Capital. Bain Capital is one of the most active sponsors both in the broader industrial space as well as in chemicals, industrial transformation processes and, directly or indirectly, paper. The extensive experience in these sectors positions the Sponsor to understand the complexities of the industry and support the Group's management team. The Sponsor also has a strong track record of driving cost savings and improvements in margin, while at the same time growing its portfolio companies both organically and through targeted acquisitions.

Our Strategies

We and the Sponsor have developed the following strategies:

Maintain and Grow Our Leading Positions in Attractive Premium Niche Markets by Leveraging Flexible Production, High-Quality Products and Highly-Recognizable Brands

As an established market leader in the manufacturing and distribution of specialty paper and self-adhesive products, we intend to continue to reinforce and grow our leading market positions in the attractive premium niche markets in which we operate. We believe that we are well-positioned to benefit from global growth trends in our core markets, and we believe the Cordenons Acquisition will improve our position even further. As a large player with a highly diversified product offering and customer base, strong distribution network and highly recognizable brands, we intend to continue to leverage our flexible production and broad expertise to support our main business lines, improve our margins, expand our market share and product offering (including in the profitable food and beverage, olive oil and cosmetics markets) as well as strengthen our relationships with key decision makers, such as brand managers, designers and printers. Moreover, we intend to continue to shift even more volumes from commodity products into specialty products, which we expect, together with our focus on streamlining our operations, will increase our profitability.

Accelerate Global Growth in Attractive Premium Niche Markets

We intend to consolidate our market leadership in the attractive premium niche markets for specialty paper and self-adhesive products by expanding our geographic footprint. We see significant potential to expand sales growth in international markets where we already operate, such as Germany, the United Kingdom, France, Spain, Austria, Benelux, Brazil, the United States and China, by strengthening our direct sales structure and expanding the range of our premium products available locally in order to strengthen our relationships with existing and potential customers. At the same time, we intend to build on our highly recognizable brand, diversified product offering and distribution network in order to enter into new, international markets, such as Argentina, Australia and Eastern Europe. In addition, we plan to establish new relationships with potential strategic customers by initially supplying lower value-added paper products with a view to gradually expanding the relationship to premium paper products, in particular specialty paper.

Increase Profitability by Focusing on Cost and Procurement Management and Operational Efficiency and Further Improving Our Product and Distribution Mix

We believe that we have significant potential to improve our margins and strengthen our business by implementing certain cost savings initiatives. The Sponsor has an extensive track record of driving efficiency in its other investments, providing us with an opportunity to implement its established best practices to significantly improve our profitability. For example, we intend to continue optimizing our procurement process by streamlining the supply of raw materials across our production segments and increasing the operational efficiency of our procurement division. We also believe that we can achieve cost savings with respect to our operating expenses by optimizing our headcounts and our sales force structures and reducing non-personnel general and administrative spending. By the end of 2020, we expect to have undertaken initiatives resulting in approximately €18.0 million of annual run-rate cost savings mainly related to procurement savings, headcount optimization and management costs. We intend to leverage our distribution network to increase the volumes of our products that we sell directly (rather than through third-party distributors) to our customers and minimize production time allocated to commodity products in order to increase our profitability and resilience to changes in the price of raw materials.

Continue to Invest in Innovation, Research and Development

Our research and development division is focused on improving existing products, creating new products based on customers' needs and innovating our production processes. We intend to continue to invest in innovation and research and development to offer our customers an even more diversified, sophisticated and customized range of products, particularly with respect to specialty paper and self-adhesive products, by strengthening the cooperation between our research and development division and our production, marketing and procurement functions. We also intend to increase the level of support provided by our after-sales, marketing and sales teams to the research and development division in terms of information on customer needs and preferences to streamline our research and development initiatives.

Successfully Integrate Gruppo Cordenons and Selectively Consider Accretive Acquisition Opportunities

We have a strong track record of growth, both organically and through focused acquisitions, and we intend to continue this combination in the future. Examples of our most significant acquisitions include, in 2002, the acquisition of Cartiere Miliani Fabriano S.p.A., the Italian paper company which owned the historic Fabriano brand, in 2004, our acquisition of the security business line of Mantegazza Antonio Arti Grafiche S.r.l., which enabled us to expand our business to the production of security products, and in 2015, the acquisition of GPA Holding Company Inc., a U.S. player operating in the distribution of special digital paper and self-adhesive products, and Fedrigoni Brasil Papéis Ltda (previously Arjo Wiggins Ltda.), a Brazilian leader in the specialty graphic papers and security papers and products. Recently, we entered into the Cordenons Acquisition Agreement to acquire Cordenons, a manufacturer and distributor of fine paper in Italy focused on high-end luxury packaging and graphic applications and, following the consummation of the Cordenons Acquisition, we plan to leverage our experience to successfully integrate Cordenons into our business. We intend to continue to selectively evaluate and potentially acquire companies with customer relationships and product offerings in our core businesses of specialty paper and self-adhesive products, as attractive opportunities arise. For example, one of our strategies is to continue our growth in Europe and North America through selective acquisitions that will increase our luxury and converting operations. We expect that this strategy will allow us to further diversify our geographical presence, customer base and product range, expanding our sales network, brands' portfolio and value chain downstream.

Our History

Our historical roots can be traced back to 1717, when Giuseppe Fedrigoni established a paper making business in Trentino, Italy. In 1724, he built the San Colombano paper mill in the Comune of Trambileno in Trentino. The Fedrigoni family carried on this business and operated the paper mill for almost a century until 1815, when the San Colombano mill was sold to a third party. In 1875, Giuseppe Antonio Fedrigoni, a descendent of Giuseppe Fedrigoni, decided to re-establish a paper business bearing the family name. He did so in Verona, first as an agent of German paper firms and then as a representative of the Nodari di Luigi paper maker from Vicenza.

Over the course of our history of over 300 years, we have expanded from a small paper making business focused on the domestic Italian market into a leading player in the international paper making industry:

- The company Fedrigoni & C. S.a.S. was founded in 1888 and expanded its product range to envelopes in the 1930s and specialty papers in the 1940s.

- In the postwar period, we rebuilt our business and expanded through, among other things, the acquisition of Barone Ambrogio e Figlio S.p.A., a Turin-based company.

- In 1935, we acquired and started to operate our first paper mill in Varone (Trento, Italy).

- In 1979, we incorporated Cartiere Fedrigoni & C. S.p.A. and started to operate a paper mill in each of Verona and Arco (Trento, Italy).

- In the late 1980s, we began expanding into other European markets by establishing distribution companies in Germany and Spain, followed by France and the United Kingdom in the next decade. During this time, we also entered into the converting business, with the establishment in 1989 of Arconvert S.p.A., with headquarters and a factory in Arco.

- In 1993, we acquired the Spanish company Manipulados Ter SA, headquartered in Sant Gregori, Spain (currently, Arconvert S.A.), which was also active in the manufacturing and marketing of converting products.

- In 2002, we acquired Cartiere Miliani Fabriano S.p.A., an Italian paper manufacturing company with a very long tradition and which owned the historic Fabriano brand. The history of Fabriano brand paper dates back to 1264, and can be traced to the eponymous town of Fabriano, where master papermakers were known for their innovative sheet papermaking techniques that had previously only been used by the Arabs and Chinese. Over the years, the Fabrianese master papermakers made high-quality paper for celebrated figures (such as Michelangelo, Ludwig van Beethoven, Emperor Franz Josef, Canova, Leopardi, Francis Bacon and Fellini) for their private use and for general use in the fields of art, literature, publishing and history.

- In 2004, we acquired the security business line of Mantegazza Antonio Arti Grafiche S.r.l., beginning our involvement in the production of security features, such as holograms and security threads.

- In 2006, we established Fedrigoni Asia Ltd., headquartered in Hong Kong, and Cartiere Miliani Fabriano S.p.A. inaugurated its new paper production facility in Castelraimondo (Province of Macerata, Italy).

- In 2009, we commenced production in Brazil with the establishment of Fedrigoni Brazil Papeis Ltda., a subsidiary which owned and managed our first production facility outside Europe.

- In 2010, our distribution structure in Europe was expanded with two distribution companies, Fedrigoni Austria GmbH in Austria and Fedrigoni Benelux B.V. in Belgium.

- In 2010, through a series of corporate transactions, various legal entities under the control of the Fedrigoni family were reorganized into our current structure, with Fedrigoni S.p.A. becoming the holding company of the Fedrigoni Group.

- In 2015, we acquired GPA Holding Company Inc. in the United States, which allowed us to expand the distribution of our special digital paper and self-adhesive products. In the same year, we acquired Fedrigoni Brasil Papéis Ltda (previously Arjo Wiggins Ltda.), the Brazilian leader in the specialty papers and security papers and products. The acquisition of Arjo Wiggins Ltda. gave us access to the Latin American market.

- In 2016, for the first time our sales exceeded €1 billion.

- In 2018, the Sponsor, Bain Capital, acquired the Fedrigoni Group with the aim to create a leading global player in the high-end specialty paper market. As part of its strategy for the expansion of our Group, in 2018, the Sponsor, through HoldCo, entered into the Cordenons Acquisition Agreement to acquire Cordenons, an Italian manufacturer and distributor of fine paper focused on high-end luxury packaging and premium graphic applications. See "Summary—The Transactions—The Cordenons Acquisition."

Our Products

Overview

We are a leading European manufacturer and distributor of a wide range of technically advanced paper and paper-related products, security products (such as banknote paper) and self-adhesive products (so-called "converting" products). Our unique and broad product portfolio includes more than 24,500 SKUs, including more than 2,500 SKUs owned by Cordenons. We organize our activities in the following two segments:

- **Paper and Security Segment**, which produces paper and security products and is organized into two business lines:

  1. Paper Business Line, which produces and markets specialty graphic paper, drawing and art paper, premium commodity, coated and uncoated paper, office paper and other kinds of paper products; and

  2. Security Business Line, which produces and markets banknote paper, other paper for value items, and security features, such as holograms and security threads for banknotes.

- **Converting Segment**, which produces self-adhesive products, such as labels.

The table below shows our sales revenues split by segment and business line for the periods indicated. Each line item is also expressed as a percentage of total sales revenues for the period.

	Three Months ended March 31,				**Twelve Months ended March 31,**	
	2017		**2018**		**2018**	
(€ million)						
Paper and Security Segment..........	**200.7**	**72.0 %**	**163.2**	**64.2%**	**722.5**	**68.3%**
Paper Business Line	***143.4***	***51.4 %***	***139.5***	***54.9%***	***557.7***	***52.8%***
thereof: Specialty Paper....................	69.0	24.7%	66.1	26.0%	276.9	26.2%
thereof: Specialty Graphic Paper.................................	59.7	21.4%	57.5	22.6%	233.0	22.0%
thereof: Drawing/Art Paper....	7.5	2.7%	6.8	2.7%	35.8	3.4%
thereof: Other Products	1.7	0.6%	1.8	0.7%	8.1	0.8%
thereof: Commodity Paper	74.6	26.8%	73.4	28.9%	280.8	26.6%
thereof: Uncoated and Coated Paper.................................	44.4	15.9%	43.6	17.2%	162.9	15.4%
thereof: Office Paper	30.1	10.8%	29.8	11.7%	117.9	11.2%
Security Business Line....................	***57.3***	***20.5%***	***23.7***	***9.3%***	***164.8***	***15.6%***
thereof: Banknote Paper	32.2	11.6%	13.2	5.2%	101.4	9.6%
thereof: Security Paper	10.1	3.6%	8.2	3.2%	28.5	2.7%
thereof: Security Features.......	15.1	5.4%	2.3	0.9%	34.9	3.3%
Converting Segment	**89.8**	**32.2%**	**99.5**	**39.1%**	**360.3**	**34.1%**
thereof: Wine Labels	23.2	8.3%	25.4	10.0%	84.0	8.0%
thereof: Ad Hoc Film	15.7	5.6%	18.1	7.1%	71.2	6.7%

	Three Months ended March 31,				Twelve Months ended March 31,	
	2017		2018		2018	
(€ million)						
thereof: Ad Hoc Paper	46.7	16.7%	51.0	20.1%	186.7	17.7%
thereof: Other Products	4.2	1.5%	4.9	1.9%	18.4	1.7%
Interdivision eliminations[(1)]	**(11.5)**	**(4.1)%**	**(8.4)**	**(3.3)%**	**(25.8)**	**(2.4)%**
Total Sales Revenues	**278.9**	**100 %**	**254.3**	**100%**	**1,057.2**	**100%**

(1) Sales revenues by segment, business line and products include interdivision sales, which are eliminated from total sales revenues.

Paper Business Line Portfolio

In our Paper Business Line, we sell a well-diversified portfolio of paper products, including clear specialty graphic paper (papers with strong aesthetic appeal and advanced technological features), drawing and art paper, premium commodity paper (i.e., specialty graphic paper targeted toward the high-quality end of the commodity paper markets), coated and uncoated paper, office paper and other kinds of paper products. Our Paper Business Line focuses on the attractive specialty paper market, with commodity products being used primarily to fill capacity whenever required. We are the leading manufacturer and distributor of specialty graphic paper in Europe and Latin America by volume as of December 31, 2016. We have leading market shares in the production of paper used for the luxury packaging market, as well as drawing and art paper. We are also the second-largest player globally of drawing and art paper, which we market under the highly-recognizable Fabriano brand and a leading market share of approximately 70% in Italy, in each case by volume as of December 31, 2016.

We have a well-diversified paper products portfolio covering a large number of specialty paper products and a wide range of commodity papers. We are further expanding our offering of specialty paper products through the acquisition of Cordenons, an Italian manufacturer and distributor of fine paper focused on high-end luxury packaging and premium graphic applications. The special papers produced by Cordenons include a wide range of fine paper in various formats, grammages and colors, which are suitable for various applications especially in the luxury packaging and graphic markets. Cordenons generated €80.7 million of gross sales from the sale of specialty papers in the year ended December 31, 2017. See "Summary—The Transactions—The Cordenons Acquisition."

Historically, we have gained shares in the specialty paper market mainly by leveraging our leading position in premium niche markets, such as the luxury packaging market, and in the commodity paper market by expanding our geographic footprint through our direct distribution network.

Our Paper Business Line products are described below.

1. Specialty graphic paper. Paper goods with strong aesthetic appeal and advanced technical features. Specialty graphic paper is manufactured with special production processes (such as embossing, coating and printing) which give the finished product premium technical features (such as a particular surface texture). In manufacturing specialty graphic paper, we pay great attention to aesthetic and technical details, in order to satisfy a clientele that demands a high-quality product with specific features. The principal products in this category are stamped and embossed card paper, digital paper and envelopes for digital printing, card for packaging, including luxury packaging, and coated (or gloss) card.

   Specialty graphic paper also includes premium commodity paper (i.e., specialty graphic paper targeted toward the high-quality end of the commodity paper markets).

   In the twelve months ended March 31, 2018, revenues from the sale of specialty graphic paper amounted to €233.0 million, or 22.0% of our total sales revenues.

2. *Drawing and art paper*. Paper for drawing in schools and in artists' studios and covers a wide range of products marketed under the Fabriano brand. Along with paper for school use, drawing and art paper includes paper for artwork, intended to be used by professionals and amateurs for pictorial techniques in the fine arts and fine art printing. The principal products in the drawing and art category are school drawing paper, art drawing paper and stationery.

In the twelve months ended March 31, 2018, revenues from the school and art drawing paper amounted to €35.8 million, or 3.4% of our total sales revenues.

3. Other products. Fine paper products (i.e., high margin premium paper products) used for writing, artwork, home and office uses (and include notebooks, practice books, index cards, photo albums and greeting cards). These products are produced entirely from paper manufactured by us (using original papermaking and printing techniques, and also often incorporate other materials such as cloth or leather) partly at our Castelraimondo production facility and partly by third parties and are marketed through our Fabriano brand.

   In the twelve months ended March 31, 2018, revenues from the sale of other products in the Paper Business Line amounted to €8.1 million, or 0.8% of our total sales revenues.

4. Uncoated and coated paper. Bulk white paper for generic uses. The main products in this category are uncoated (or "matte") wood-free paper, which is used for offset printing and coated (or "gloss") wood- free paper, which is used in printing and for the production of paper and cardboard products.

   In the twelve months ended March 31, 2018, revenues from the sale of coated and uncoated paper amounted to €162.9 million, or 15.4% of our total sales revenues.

5. Office paper. Paper products used for office purposes such as printing, writing and archiving. In addition to classic white paper, we also produce environmentally-friendly papers (e.g., recycled, FSC-certified), colored paper, ultra-smooth paper, and paper of different weights. The principal products in the office paper category are white copy, environmentally friendly copy paper, multipurpose paper, photographic paper and rolled paper. We believe that the Fabriano brand name enables us to achieve premium pricing in this product line.

   In the twelve months ended March 31, 2018, revenues from the sale of office paper amounted to €117.9 million, or 11.2% of our total sales revenues.

Security Business Line Portfolio

In our Security Business Line, we manufacture banknote paper and other security features, such as threads, holograms and patches. We do not manufacture the finished products in this line (such as the banknotes or checks), which are printed directly by our customers using the paper and other elements provided by us. We are also a leading manufacturer of banknote paper, selling our banknote paper in Europe, Latin America, Asia and Africa, with a global market share of approximately 20% by volume in the banknote market open to competitive tender as of December 31, 2016, the only manufacturer of banknote paper located in Latin America and one of the top manufacturers of security products in the European market.

Our main Security Business Line products are described below.

1. *Banknote paper*. Watermarked and plain paper used for the manufacturing of banknotes, which may also contain various security features (threads and holograms), and is made primarily of cotton waste, which is especially wear-resistant. We believe we are one of the lowest cost producers of banknote paper globally. As of March 31, 2018, our banknote paper production accounted for 61.0% of our Security Business Line in terms of sales revenues and volume.

   In the twelve months ended March 31, 2018, revenues from the sale of banknote paper amounted to €101.4 million, or 9.6% of our total sales revenues.

2. *Security paper*. Paper products that will be assigned an economic value following their circulation. These include checks, meal vouchers, bond certificates and stamps. Security paper contains features intended to thwart counterfeiting, such as watermarks, sensitizing agents and other security features.

   In the twelve months ended March 31, 2018, revenues from the sale of security paper amounted to €28.5 million, or 2.7% of our total sales revenues.

3. *Security features*. This category includes holograms and security threads. Holograms are security features that are applied onto paper. The image produced by the hologram varies depending on the angle of the light striking its surface. Hologram production requires sophisticated machinery, which therefore makes counterfeiting difficult. Holograms are available as stripes (continuous stripes

applied across the entire length of the paper) or as a patch applied in a specific position on the paper. Security threads are incorporated in the paper to prevent counterfeiting of a finished product such as banknotes.

In the twelve months ended March 31, 2018, revenues from the sale of security features amounted to, €34.9 million, or 3.3% of our total sales revenues.

Converting Segment Portfolio

In our Converting Segment, we manufacture and distribute a broad range of self-adhesive products intended for the production of labels and other similar items. Our Arconvert and Manter brands have gained a leading position in the sector of self-adhesive papers and films and are associated with high quality products such as labels for the premium beverage and spirit industry. In the market for wine labels, we are the second largest manufacturer of self-adhesive products globally, with approximately 29% of market share by volume in self-adhesive products for wine bottle labels, the largest manufacturer in Europe, with approximately 42% of market share by volume, and the largest manufacturer in France and Spain, with approximately 48% and 52% of market share by volume, respectively.

Our self-adhesive products are manufactured either in rolls or sheets. Both rolls and sheets consist of four separate components: (i) the "facing," which is the part of the label that is intended for printing (it may be either paper or a plastic film) (ii) the adhesive, which will depend on the function and use of the final label (it may be removable, repositionable, or permanent) (iii) the "backing," or the part which is silicone-treated and has a protective function (this is the part that is removed when the label is applied and it may be paper or a plastic film) and (iv) the silicone, the component between the backing and the adhesive that allows the facing to be peeled away from the backing when the label is used.

Self-adhesive products are converted into labels by our customers (label manufacturers) for use in virtually every sector of merchandise (including food, wine and beverages, cosmetics, office, pharmaceuticals, advertising, logistics and publishing). Self-adhesive products are also used in the publishing sector (e.g., trading cards) and in producing various other printed products (such as postage stamps, revenue stamps and other paper-based products).

Our main Converting Segment products are described below.

1. Wine Labels. Self-adhesive high quality papers in the form of coil used for the creation of labels through an automatic application, with paper generally sourced internally from the Paper Business Line. Our self-adhesive products are mainly used by label manufacturers in the wine industry, but also in the food and beverage (including spirits and craft beer markets), olive oil and cosmetics markets.

   In the twelve months ended March 31, 2018, revenues from the sale of labels amounted to €84.0 million, or 8.0% of our total sales revenues.

2. *Ad hoc film*. Self-adhesive materials used for the production of plastic-facing labels. These products are used by label manufacturers active in the household, pharmaceuticals, cosmetics, toiletries and electronics industries due to the flexibility of plastic-facing labels.

   In the twelve months ended March 31, 2018, revenues from the sale of ad hoc film amounted to, €71.2 million, or 6.7% of our total sales revenues.

3. *Ad hoc paper*. Self-adhesive materials used for the production of paper-facing labels. These products are used by label manufacturers active in the industrial, logistics and food industries.

   In the twelve months ended March 31, 2018, revenues from the sale of ad hoc paper amounted to €186.7 million, or 17.7% of our total sales revenues.

4. *Other products*. Special types of paper and card products, including "casting and release" products, which are made of embossed card and are used to apply an impression that reproduces a natural texture in the production process for eco leather, and the "Sadipal" line, a collection of self-adhesive and plain products intended for uses in medium-priced stationary and school products.

In the twelve months ended March 31, 2018, revenues from the sale of other products in the Converting Segment amounted to €18.4 million, or 1.7% of our total sales revenues.

Our Production

Overview

Our production activity consists of processing raw materials (principally pulp, cotton waste and certain chemical products) to make various kinds of paper, including banknote paper and other security features, as well as processing paper into self-adhesive products for labels and other kinds of self-adhesive products.

We operate 14 production/finishing facilities in Italy (eight facilities), Spain (two facilities), Brazil (two facilities) and the United States (two facilities). Nine of our production facilities are dedicated to the manufacturing of our Paper and Security Segment products while four facilities produce Converting Segment products. In the twelve months ended March 31, 2018, we sold approximately 438 thousand metric tons of paper (including interdivision sales) and approximately 134 thousand metric tons of self-adhesive products. We also operate 13 "continuous" paper-making machines, and seven coating machines and six paper mills at our production facilities. Following the Cordenons Acquisition, we will operate two additional production facilities in Italy, which had an annual production of approximately 37,000 metric tons of paper in the year ended December 31, 2017.

We have installed several natural gas-fired combined heat and power plants as well as hydroelectric plants in our production facilities, which we believe allow for significant energy cost savings. These power plants meet almost the entire electricity requirements of the Paper Business Line (which has the heaviest demand in terms of energy consumption). See also "—Paper Business Line." Certain amounts of energy are also sold on the market. For the twelve months ended March 31, 2018, our sales of energy to third parties amounted to €3.8 million, which is accounted under Other Income in our Financial Statements.

Paper Business Line

We maintain a flexible production process, with small and medium-sized, multi-function and versatile continuously-operating machines capable of producing a variety of paper types, generally in small batches, through short production runs. Almost all phases of production are carried out at our own production facilities. The facilities dedicated to producing and processing paper products are located in Verona, Italy, Varone di Riva del Garda, Italy, Arco, Italy, Fabriano, Italy, Castelraimondo, Italy, Rocchetta, Italy and Salto, Brazil. These production facilities run 13 continuously-operated paper-making machines. Moreover, following the Cordenons Acquisition, we will operate two additional production facilities located in Cordenons and Scurelle, Italy.

Our production of Paper Business Line products comprises three core activities:

- Production planning. This is a key aspect of our business model and varies depending on the category of product and distribution channel. It is carried out in close coordination with the external logistics, procurement and internal logistics, and sales divisions. Beginning with taking the customer's order, production planning organizes the production sequence so as to optimize its economic efficiency while simultaneously providing the customer with the best possible service.

- Processing raw materials. Pulp, mineral additives and certain other chemical products are processed into finished products (paper) by dehydrating an aqueous slurry containing fibers (pulp), pigments and chemical products. The semi-finished product from the continuously-operating machines is then finished in additional treatments based on the customer's requirements. Some of the processes for handling semi-finished products could give the finished goods special characteristics, such as a gloss coating (the application of a homogeneous layer of coating to the surface of the paper to give it particular printing characteristics), embossing (cutting into the surface of the paper in a variety of ways) and printing. At the end of these processes, the semi-finished products are cut, using special "cutter" machines, to the format required by the customer. Almost all of our production facilities operate 340 days a year (with the remaining time dedicated to maintenance), 24 hours a day. Normally, these production facilities are continuously in operation other than for maintenance or changeovers.

- Maintaining and managing the equipment. Our staff handles maintenance, changeovers and repairs for our production and finishing machinery. These personnel are responsible for all mechanical and electrical maintenance and all related instrumentation. External personnel are used only in case of installation of new machinery or for certain scheduled extraordinary retrofitting or maintenance.

Security Business Line

Our Security Business Line uses seven production machines for the production of security products, each with different technical specifications and production capacities and each performing complementary functions. Our production machines are located at the production facilities in Fabriano (Province of Ancona), Ospiate di Bollate (Province of Milan), Salto (Brazil) and Verona.

The production process for banknote paper is similar to the production process for other types of paper, except for the additional phase where the security features are applied to the product. Additionally, the fiber raw material used in this process is cotton waste, instead of pulp, to achieve greater durability. Security threads and holograms are produced in two distinct steps. In the first, the various constituent layers of the products are printed and coated. In the second, the finished product is cut to specifications. The printing step requires the use of rotary machinery and, depending on the category of product, may include metallization and embossing processes.

Converting Segment

The production process is based on converting paper and/or plastic films into auto-adhesive products by a chemical and/or physical treatment of the raw materials. The Converting Segment has seven coating line installations and 36 finishing machines located at the production facilities in Arco (Province of Trento, Italy), Sant Gregori (Spain), São Paulo (Brazil) and Cerritos (California, United States).

Our production of Converting Segment products comprises two main stages:

- *Production of the semi-finished products ("jumbo rolls")*. This first stage consists of laminating together two stock materials (paper/paper, paper/film, film/film). The resulting product has four components (i) the paper or plastic film backing intended to be coated with silicone, which has a protective function, (ii) the silicone, mixed as needed with catalysts and modulators so as to obtain the desired "release," (iii) an acrylic or hot-melt adhesive, which is available in various types for different uses, and (iv) the facing (paper or film), which is what will become the self-adhesive label proper. There are many variants of each of these four components and they may therefore be combined in a very large number of permutations, yielding many different products. The laminated materials are then sent to the finishing stage (Product Preparation).

- *Product preparation*. This second stage consists of cutting the jumbo rolls into smaller rolls or sheets. In this stage, the product is cut to order, according to the customer's specifications. The product then takes on its final form, depending on its intended use and market. This may be a roll for printing and cutting using specific machines which produce "continuous band" labels for automatic application or sheets intended for making printed labels using traditional "flat" printing technologies, for advertising campaigns, publishing (inserts and trading cards) and other limited-run applications.

Maintenance work, which constitutes an important activity in our Converting Segment, is partly performed by internal staff dealing with mechanical, electrical and electronic aspects of maintenance, and partly outsourced.

Distribution and Sales

Overview

We distribute our products in 128 countries. Our distribution system is characterized by a "direct go-to-market" approach. We rely on a distribution structure that we manage directly, comprised of 21 direct distribution branches in Europe, the United States, Latin America and China as well as twelve Fabriano retail boutiques across Europe. Our direct approach allows us to have a clear control of the distribution and marketing of our products and enables us to maintain proximity with our customers, enhance brand perception, reduce delivery times and offer customization of final products. In 2015, we further expanded our direct distribution system with the acquisition of GPA Holding Company Inc., one of the leading U.S. distribution companies specialized in special digital paper and self-adhesive products with a strong presence in premium niche paper markets in the United States. For the twelve months ended March 31, 2018, approximately 40% of our commodity products and approximately 67% of our specialty products have been delivered directly by our branches. Moreover, we expect to further expand our international distribution network following the acquisition of Cordenons, which currently markets its products in 90 countries, including Italy, Europe, Asia, Africa, Middle East, Oceania, North and South America.

Our direct distribution system is supplemented by an external network of distributors (for the Paper Business Line and the Converting Segment) and independent agents (for both the Paper and Security and the Converting Segments), who are selling the majority of our products in 128 countries. Such external network is mainly used to distribute our products in countries in which we do not have direct distribution branches.

Our direct sales force, which includes sellers and promoters, has a deep knowledge of our product offering, thus enabling us (i) to control and focus on our profitability, in part due to our business model (based on small delivery lots and dedicated service), which generally enables delivery of paper within no more than 72 hours in all the European market areas that we serve directly, (ii) to have a direct contact with our customers, which enables us to provide a more accurate service and anticipate customers' needs, allowing us to focus our innovation efforts and maximize its effectiveness, (iii) to develop an extensive proprietary database of sourcing professionals (graphics studios, packaging designers, advertising and creative agencies) and (iv) to strengthen our brand recognition among customers and sourcing professionals. In addition to being a paper manufacturer with integrated distribution capabilities, we design our products on the basis of direct feedback from the market and maintain a direct dialogue with both sourcing professionals and end users, thereby allowing strong customer input over the process all along the value chain.

Paper Business Line

In our Paper Business Line, our distribution structure is composed of (i) eight commercial branches in Italy (located in Milan, Verona, Trieste, Bologna, Florence, Perugia, Rome and Naples), each including a warehouse (except for the branches in Bologna, Verona and Perugia), (ii) two logistics centers located in Buttapietra (Province of Verona, Italy) and Rocchetta (Province of Ancona, Italy), (iii) seven subsidiaries in Europe (located in Spain, France, the United Kingdom, Germany, Austria and Benelux) and (iv) two companies in the People's Republic of China, headquartered in Hong Kong and Shanghai. Our Paper Business Line distribution model enables us to achieve short delivery times for all our products: between 24 and 72 hours in Italy and the rest of Europe, on average one week for the Middle East and North Africa, and two to four weeks for the Americas and the rest of the world.

Our "*Other products*" in the Paper Business Line (which are marketed through our Fabriano brand) are sold through (i) twelve single-brand Fabriano retail boutiques, located at several airports (Rome international and national terminals, Munich, Berlin) and in high-end districts of cities with significant tourist traffic (Rome, Venice, Verona, Florence, Milan, Genève, Paris and London), (ii) museum bookstores (including the Queen Sofia Museum in Madrid and the Victoria & Albert in London), (iii) other bookstores (including the Mondadori chain) and (iv) high-end department stores (KaDeWe in Berlin, Le Bon Marche and BHV in Paris, Manor Lugano La Rinascente, etc.).

Security Business Line

We sell our Security Business Line products directly to our public and private customers. Our Security Business Line sales division (in close contact with the logistics and production planning divisions) coordinates the sales of our banknote paper and security features especially by making available the technical, commercial and administrative documentation necessary in order to participate in public tenders. See also "—Our Products—Security—Business Line Portfolio."

Converting Segment

Our Converting Segment products are primarily sold to printers and distributors directly by our subsidiaries operating in this segment (e.g., Arconvert, Arconvert Brand and Manter). For the distribution of our Converting Segment's products, we rely on a commercial structure comprising internal resources, such as an area manager and a product manager supported by internal sales in operations management for the customer, and external resources, including agents (who usually represent our line exclusively or, if they represent multiple lines, represent non-competing products) and distributors with their own warehouses (who often represent multiple lines, including competing products). We determine the commercial structure for each country or zone on the basis of the importance and size of the market, the distance from production sites, and the special features of the market. We have adopted incentive systems for employees in this segment's distribution network based on targets for individuals or for a given area, with reference to sales quantity and quality, amounts invoiced, and margins.

Converting Segment products are sold through individual purchase orders from the customer. The sales process varies depending on the product line. Self-adhesive roll products are generally sold directly to printers, except in the rare cases when we use specialist distributors. Self-adhesive products in sheets are sold partly to third-party distributors and partly through the Paper Business Line's distribution network. Direct sales to printer customers are an exception.

Our Customers

Overview

We sell our products to a diverse customer base and each customer group has its own specific characteristics and purchasing patterns. We offer customers a broad range of products characterized by a high level of personalization and high-quality before- and after-sales service. Because of the flexibility of our production and distribution structure and the integration between the Paper Business Line, the Security Business Line and the Converting Segment, we can serve diverse types of customers, including small customers of premium niche markets.

Our customers include both end users of our products (e.g., central banks purchasing our banknote paper) and customers who are not the end users of our products (e.g., printers who buy paper from us and then sells the finished product to the end user, or label makers, who process the product they acquire from us into labels, which are then used by food or pharmaceutical companies, industrial companies, large retail chains, and domestic and private users). Historically, we believe that we have had good relationships with our customers, with the majority of our main customers opting for renewal upon the expirations of their agreements.

The various types of customers that we target are described below.

Paper Business Line

Our customers are printers, publishers and processors (i.e., companies in the paper industry and makers of packaging) sourcing professionals, students, artists, offices, companies (including blue chip companies, such as famous luxury companies), government agencies, distributors, wholesalers and others. As of March 31, 2018, we had approximately 17,000 customers and our ten largest customers in the Paper Business Line represented 4.6% of our sales revenues. Following the Cordenons Acquisition, we expect to strengthen our customer base by adding Cordenons' special papers end users (e.g., blue chip companies, including luxury fashion brands).

Security Business Line

Our customers are both public agencies and private operators specializing in printing paper for value items and security paper. As of March 31, 2018, we had approximately 300 customers and our ten largest customers in the Security Business Line represented 13.2% of our sales revenues. See also "Risk Factors—Risks Related to Our Business—Product defects, failure to meet the client's specifications and revenue volatility in the Security Business Line could have a material adverse effect on our activities and growth outlook."

In the public sector, our customers include central banks and government printing offices (for the production of such products as banknotes, passports, stamps and diplomas). Contracts are typically awarded on a yearly basis through public tenders announced by the customer. The public tender announcement defines the principal economic and technical requirements (concerning the specific characteristics of the products) that must be met and could impose specific obligations on the contractor (e.g., imposition of a specific supplier of raw materials used to produce certain security products and prohibit distribution in certain countries). See also "Risk Factors—Risks Related to Our Business—Product defects, failure to meet the client's specifications and revenue volatility in the Security Business Line could have a material adverse effect on our activities and growth outlook." Once a contract is awarded as a result of the public tender, we enter into a supply agreement with the customer. We have developed extensive international experience in participating in customers' public tender processes. The decision by a material customer of our Security Business Line, however, to start insourcing its banknote paper production in 2017 and to temporarily interrupt all of its banknote orders is expected to have a significantly negative impact on the Security Business Line in 2018, following a strong growth in the period 2014-2017.

In the private sector, our customers include operators specialized in printing paper for value items such as banknotes, checks, meal vouchers, and tickets for theatrical and sports events.

Converting Segment

Our customers include label printers and producers as well as distributors sourcing, inter alia, graphic designers, advertising agencies, wineries, distilleries, bottlers and mock-up agencies. Our commercial policy focuses on establishing a dialogue through our promoters with all parties involved in conceiving, designing and producing products made with our papers, including leading international wine and spirit producers, advertising companies and design agencies. This provides us with visibility over the purchasing requirements and processes through which our customers as well as end users are served. As of March 31, 2018, we had approximately 6,000 customers and our ten largest customers in the Converting Segment represented 3.6% of our sales revenues.

Procurement and Suppliers

Overview

We purchase our supplies and stock both internally and from a number of external suppliers.

We benefit from intragroup sales of semi-finished products (e.g., glassine paper and vellum) and special premium papers dedicated to the production of wine labels, from our Paper Business Line to our Converting Segment. Intragroup sales facilitate paper procurement for our Converting Segment providing us with greater bargaining power with external suppliers, allowing us to sell our converting products at premium prices and, at the same time, enabling us to fill our paper production capacity.

Our main external suppliers are (i) producers of raw materials needed for industrial production (i.e., fiber raw materials (pulp and cotton waste), mineral additives (calcium carbonate and kaolin) and chemical products (latexes, starches, glues and colors)) and (ii) producers of industrial systems, machines and equipment, logistics service providers and suppliers of natural gas and energy. We usually maintain long-term relationships with our main suppliers and, in case of significant differences in terms of prices and quality of services offered by competitors of our suppliers, we try to negotiate favorable terms with our suppliers before changing supplier.

We believe that we do not materially depend on any single supplier. Although we purchase certain of the raw materials we use in our production process from a single supplier, such as in the case of raw materials used in the production of self-adhesive products, we believe that such raw materials are available from other suppliers in the market, even if at higher costs, and that we are not dependent on such single supplier. In the year ended December 31, 2016, no single supplier accounted for 6% or more of our sales. Our material supply contracts include mechanisms aimed at reducing our financial exposure, such as price escalation clauses (which link procurement prices to current selling prices) and specific procurement prices for specific sales volumes. We maintain long-term relationships with our main suppliers, with the majority of our suppliers opting for renewal upon the expirations of their agreements.

Paper Business Line

The raw materials used in the Paper Business Line are primarily wood pulp (mainly softwood and hardwood), mineral additives (e.g., calcium carbonate, caolin and titanium dioxide) and chemical products (e.g., latex, starch and dyes/pigments). The purchasing process of these raw materials varies. Wood pulp is mainly purchased on the basis of annual agreements with suppliers, which provide for monthly negotiations of price based on PIX indexes. In case of favorable market conditions, we also purchase wood pulp on the spot market (i.e., at the current market price with immediate payment and delivery). Our minimum stock of paper product order portfolio for pulp is 17 days. Our main suppliers of wood pulp in 2017 were Fibria (Brazil), Eldorado (Brazil), Cenibra (Brazil), CMPC (Chile/Brazil), Heinzel Poels (Austria), Fibre Excellence (France), International Paper (France), Bukoza (Slovakia), Estoniacell (Estonia) and Metsa Board (Finland). Pulp purchases accounted for 29.0% of our consolidated cost of raw materials for the twelve months ended March 31, 2018. As of March 31, 2018, our top ten, non-exclusive, third-party pulp suppliers represented 94.4% of our total pulp purchases. See "Risk Factors—Risks Related to Our Business—We may not be able to locate and develop relationships with a sufficient number of new pulp suppliers or maintain relationships with our existing pulp suppliers, which could lead to increased costs and product shortages, which could harm our business."

Mineral additives and chemicals products are purchased on the basis of specific agreements with suppliers and could provide for semi-annual, quarterly or monthly price negotiations. The volume of chemical products purchased is based on the actual need of our paper mills, evaluated on a monthly basis, taking into account current inventories. Our main suppliers of mineral additives and chemicals products in 2017 were Omya (Italy and Austria), Calcit (Slovenia and Croatia), Trinseo (ex-Styron) (Germany and The Netherlands), Cargill (Italy), Avebe (The Netherlands), Roquette (France), Basf (Germany), Archroma (Italy, Spain) and Cromatos (Italy).

Our primary energy sources are natural gas and electricity. Natural gas is used to provide thermoelectric power to our paper mills. Natural gas is purchased on the basis of annual agreements with Shell Energy Italia S.r.l. (our sole supplier of natural gas since 2012, chosen on the basis of the best offer in terms of price, contract terms and service quality), which provide for an annual negotiation of price based on the TTF Index.

With respect to electricity supply, combined-cycle power plants are located at each of our paper mills. These plants meet almost the entire electricity requirements of Paper Business Line, with the exception of a small quantity of electricity supply purchased for one of our paper mills. The electricity in excess is sold on the market thanks to the connection of our plants to the public grid. In addition, hydroelectric plants are located at some of our production facilities. These plants are connected to local-internal grids and contribute to increasing the total energy available for our paper mills, with low green-impact and lower costs. The electricity in excess is sold to Axpo Italia S.p.A., one of the most important player in the electricity market.

Security Business Line

The procurement process in our Security Business Line is often driven by the terms of public tenders. Such tenders could impose specific obligations on the contractor, including the choice of specific suppliers of raw materials used to produce certain security products. In certain cases, tenders could impose specific prices and limit negotiations with suppliers. The raw materials used in the Security Business Line are primarily cotton waste, mineral additives and chemical products as well as other materials used in producing security features. Suppliers of raw materials for products in the Security Business Line are very limited mainly due to the fact that security products are sophisticated and technologically advanced products. The volume of raw materials purchased is based on our actual needs, taking into account current inventories.

Converting Segment

The raw materials used in the Converting Segment are paper and plastic stock for backings and facings, adhesives and silicone.

Paper and plastic stock for backings and facings (which accounted for approximately 28.6% of our consolidated cost of raw materials as of December 31, 2016) is sourced from either third-party suppliers (particularly paper mills and/or makers of plastic film stock) or, for paper products only, from the Fedrigoni Group. In the year ended December 31, 2016, 81% of the raw materials (in terms of value) used in the Converting Segment was sourced by third party suppliers.

Premium paper products are sourced exclusively from our Paper Business Line. Purchase quantities are determined on the basis of the need to fully utilize production capacity at our papermaking facilities or on the basis of market considerations relating to the procurement sector. The purchases are made at market prices.

Paper and plastic stock from third parties (which is planned annually with the individual suppliers on an approximate, non-binding basis) is procured in several steps, including (i) periodic negotiations, on average every two weeks, to define the specific quantities to be ordered, and their price, (ii) placement of the order, (iii) customs clearance (if necessary) and delivery of the goods and (iv) invoicing simultaneously with shipment of the goods, with payment averaging 90 days from the invoice date. The principal external suppliers of paper and plastic stock used in the Converting Segment are Ahlstrom (Italy and France); Torraspapel (Spain); Cartiere Burgo (Italy); CHAM Paper Group (Switzerland); Mondo Plastico (Italy); Kanzan (Germany); and Exxonmobil (Belgium).

Purchases of silicones, other adhesives and base resins are planned with the various suppliers on the basis of our annual needs, and terms are agreed on a monthly basis with regard to both quantities and prices. The main suppliers of silicones, other adhesives and base resins are BASF, Wacker Chemie and Momentive, which are all based in Germany.

Our procurement division manages the raw materials warehouses, while our warehouses for semi-finished products are managed by the production planning division. The entire production flow is tracked and monitored by a computer system that also manages part of the internal flows into the warehouses for semi-finished products. For semi-finished products in the Converting Segment, we have automated warehouses largely serviced by robots.

Research and Development

Overview

We have always given close attention to research and development, seeking technological innovations to be used in improving existing products, creating new products or improving production processes. Our research and development activities are conducted in close coordination with various other business divisions, including production, marketing and procurement, through specialized laboratories for the different product categories. The research and development activities are driven by information provided by our customers (through our after-sales support organization), our marketing and sales divisions and in coordination with our Segments.

Paper Business Line

In the Paper Business Line, research and development focuses on developing new products and innovative technological solutions for production processes. This is guided by information received by customers (in order to analyze products' effectiveness and their ability to meet the market's needs), our marketing and sales division and the Security Business Line and the Converting Segment.

Some of the innovations of our research and development activity in recent years include (i) Ispira (colored card with a special velvety surface provided by polymers, which also makes the paper relatively waterproof), (ii) Materica (a heavy, rough-textured paper that has won many prizes around the world over the past two years), (iii) Cocktail (colored board and paper with a pearly finish), (iv) SOHO Indigo (an improvement in the collection of papers for digital printing using HP Indigo technology), (v) Ecological (drawing books made of acid-free, FSC-certified recycled paper), (vi) EcoQua (a line of highly environmentally friendly notebooks, made of paper in a restful ivory tint and certified totally chlorine free), (vii) Arcoprint Milk (a heavy, uncoated paper in a neutral white), (viii) Fedrigoni Fragrance (a heavy, uncoated, white paper with high water absorption, able to be sprayed with a fragrance at a point of sale without altering perception of the scent, an option for industrial use in the perfume tester segment, in combination with the sale of high-end specialty graphic papers), (ix) Sirio Ultrablack (absolute black card for packaging, able to withstand metallized hotfoil lamination without alteration), (x) Fedrigoni Soho Touch Class (a line of uncoated papers and boards with a special treatment that ensures resistance to fingerprints, stains, varnishes, oil and water, which ensures perfect printing results with digital varnishes and foils), (xi) Fedrigoni SplendorLux Mirror (a line of coated boards with mirror effect ideal for luxury packaging and available in gold, silver, bronze and iron colors), (xii) Fedrigoni Freelife (a line of high quality recycled, uncoated papers and boards, with 55% of pure environmentally friendly FSC pulp, 40% post- consumer FSC fibers and, depending to the quality, 5% or cotton or hemp), (xiii) Fabriano Unica (a fourdrinier paper machine made of 50% cotton fibers, ideal for all printmaking techniques), (xiv) Fabriano Mixed Media (a versatile, multipurpose product that combines the characteristics of watercolor and acrylic paper with those of drawing papers) and (xv) Fabriano Ispira (a range of notebooks characterized by a soft touch cover available in five different colors).

Moreover, following the Cordenons Acquisition, we expect to benefit from Cordenons' extensive know-how in relation to the production of innovative fine paper.

Security Business Line

In the Second Business Line, research and development primarily consists of research into new security features, in order that we can offer customers new, increasingly sophisticated products and technical solutions, especially anti-counterfeiting features such as watermarks, sensitizing agents and other security features. Our main strengths in the development of new security features are (i) close relations with customers (central banks and security printers) to identify needs and, where relevant, jointly develop product innovations, (ii) the special know-how it has developed in this sphere of activities, (iii) a close, collaborative relationship with suppliers of raw materials for the development of new products and (iv) speed in carrying out product innovations.

Some of the innovations of our research and development activity in recent years include (i) Janus (security threads with chromatic variation), (ii) TMC and MAG3 (security threads with magnetic double-coercivity coding systems), (iii) Multilevel (security thread with a selective de-metallization system), (iv) long life DNA (long-life paper for banknotes), (v) □Qr and □Watermark (shadow watermarks with QR code), (vi) Vista (an holographic stripe with double side effect) and (vii) secure window features such as Color shifting windows and Split.

Converting Segment

Research and development in the Converting Segment focuses on the creation of new products and on developing innovative solutions for existing products. This is guided by requests from the sales division for new products to meet customers' needs, by our research laboratory, which is engaged in the search for new application solutions and new products to launch, and by the marketing department and our promoters, who have close relationship with graphic designers and end users having a huge influence over the selection of our paper products. Research and development is especially significant for the Converting Segment and managers from all corporate divisions (sales, marketing, production, research and development, purchasing and management) participate in the so-called "New Product Development Team," which is intended to continuously improve existing products and develop replacement products.

Some of the innovations of our research and development activity in recent years include (i) self-adhesive stamps, (ii) easy release silicones, (iii) phthalate-free film products, (iv) SH6020 plus acrylic adhesive, (v) TT3-TT3N-TT8 hot melt adhesive, (vi) RE33 acrylic adhesive and (vii) PETC White Gloss 150. Moreover, we have recently developed an innovative grease-proof technology, which we expect to find applications particularly in the food and beverage, olive oil and cosmetics markets.

Marketing

Our marketing division plays an important role in the promotion of our products and perception of our brands. Our marketing activities focus on market analysis, product design and development, advertising our products to customers and support to our after-sale division. Our marketing division also conducts advertising intended for corporate communications (e.g., social media, magazines, small promotional gifts and the Internet) and arranges participation to events organizing regular events with key influencers (e.g., trade shows of converting products as well as high-end fashion stands during fairs).

In the twelve months ended March 31, 2018 and the years ended December 31, 2017, 2016 and 2015, costs for marketing and advertising (and associated personnel costs) amounted to €8.2, €8.3 million, €7.1 million and €6.8 million, respectively.

After-Sales Support

Our after-sales support division, which is composed of investigators with knowledge of printing and folding processes, manages customer feedback on the quality of our products in each of our Segments. Our after-sales support division also gathers customer feedback about products and shares relevant feedback with the research and development division in order to help improve existing products or help in the creation of new products. The information gathered from the after-sales support division is catalogued and analyzed in order to prepare statistical reports that both research and development and production can use to define priorities and plans for improvements.

Internal and External Logistics

Our internal logistics division is primarily tasked with managing the delivery, warehousing and distribution of raw materials, minerals and chemical products that we use in our production process. Our external logistics division manages delivery times to customers and transport plans costs, in order to ensure an optimum organization of deliveries within a territory.

Human Resources Management

We provide training not only to new hires, but to all of our employees, either in-house or with the assistance of outside trainers. Due to the specific techniques involved in making security products, our employees in the Security Business Line receive special training. This training process is longer and more detailed than for employees in the Paper Business Line, as it covers the technical aspects of the production of security products. This training is mostly conducted internally.

Material Contracts

Other than disclosed elsewhere in this Offering Memorandum, we have not entered into any contracts outside the ordinary course of our business that we consider material.

Regulatory and Compliance

We operate in compliance with applicable environmental and workplace safety laws, regulations and technical and management standards enacted at the EU, national and local levels. We have adopted what we believe to be responsible environmental protection policies, energy saving policies and, more generally, we aim to achieve sustainable management of our processes.

With respect to forest resources, we adhere to FSC principles, and therefore use FSC-certified pulp or controlled types of pulp, either produced sustainably or made with wood sourced from legal felling, and not sourced from felling in areas where civil or traditional rights are violated. The pulp we use does not come from areas converted from forests or other wood ecosystems into annual monoculture plantations or other non-forest uses, (i) forests where genetically modified trees are planted, (ii) forest systems found to violate the principles of the ILO declaration (International Labour Organization, a United Nations agency) on fundamental principles and rights of labor, (iii) forests in which high values of conservation are threatened by improper forestry management and maintenance activities, (iv) illegal logging or (v) logging in areas where civil or other basic rights are violated. Finally, partly in light of the obligations under European Regulation No. 995/10/EC (the EU Timber Regulation), we use pulp suppliers who provide written assurance of their commitment to maintaining forest biodiversity, recognizing the territorial rights and ecological knowledge of native populations, and who comply with applicable laws on forest management. Indeed, all of our pulp suppliers are FSC certified either as “Chain of Custody” or “Controlled Wood.”

With respect to water resources, we are committed to reduce the amounts of fresh water used in production, including by giving preference to using recycled water where possible.

With respect to energy resources, we are committed both to optimizing our energy consumption and to adopting technologies that help reduce atmospheric emissions. Specifically, we have set aside significant resources to build combined-cycle electric power and heat plants at some of our production facilities, as well as hydroelectric power plants, to produce electricity on site, for a total capacity of more than 35 MW. This has achieved significant energy cost savings. Because of these efforts, we produce quantities of electricity sufficient to meet our consumption needs at the sites where these generating plants are located. When production exceeds our needs, the surplus is sold on the market. See “—Our Production—Overview.” All of our production facilities are equipped with physical chemical equipment for wastewater treatment. Additionally, our production facilities in the cities of Arco and Fabriano have biological wastewater treatment plants, which includes auxiliary systems to improve performance (e.g., by treatment with ozone, activated charcoal, etc.) helping ensure compliance with applicable environmental laws. Finally, we are assessing bids from suppliers for the installation of a biological wastewater treatment plan at our production facility in Verona, Italy.

We hold a variety of third-party certifications guaranteeing our responsible management of the production, logistics and distribution processes that support the quality of our products and services. We are also certified to ISO 9001:2008 for quality management, to ISO 14001:2004 for environmental management, to BSI OHSAS 18001:2007 for management of occupational safety and health, under FSC CoC and CW-FSC for the procurement, use and traceability of wood-based raw materials, and as AEOF for customs treatment. We maintain a team dedicated to monitor compliance with those certifications and, more in general, with applicable environmental and health and safety laws.

The production sites which are required to have an Integrated Environmental Permit and Authorization to emit greenhouse gases (CO2) (these are: Arco, Varone di Riva del Garda, Verona, Cordenons, Scurelle, Fabriano and Pioraco) are in possession of such an authorization. Our Spanish subsidiary Arconvert S.A. has been granted ISO 14001 certification and has the necessary environmental permits and authorizations issued by the Spanish authorities. Fedrigoni Brazil Papeis Ltda. has obtained all the necessary environmental authorizations for the production activities.

Property, Plant and Equipment

We currently own 14 production/finishing facilities (eight of which are located in Italy, two in Spain, two in Brazil and two in the United States). Following the Cordenons Acquisition, we will operate two additional facilities in Italy. Nine of our production facilities are dedicated to the manufacturing and finishing of our Paper and Security Segment products while four facilities produce and finish Converting Segment products. We also operate 13 continuously-operated paper-making machines and seven coating machines and six paper mills at our production facilities.

Paper and Security Segment Facilities

Facility	Total surface area (m^3)	No. of production machines	Employees at March 31, 2018	Annual Capacity	Products
Verona	57,843	2	247	84 thousand metric tons	Specialty graphic paper and uncoated commodity paper, banknote paper
Varone di Riva di Garda (Province of Trento)	39,668	2	165	53 thousand metric tons	Specialty graphic paper and uncoated commodity paper
Arco (Province of Trento)	134,139	1	173	138 thousand metric tons	Coated commodity paper
Fabriano (Province of Ancona)	76,463	4	253	174 thousand metric tons	Specialty graphic paper and uncoated commodity paper, office paper, banknote paper, paper for value items, drawing paper
Pioraco (Province of Macerata)	33,454	1	123	36 thousand metric tons	Specialty graphic paper and uncoated commodity paper, drawing paper, office paper
Rocchetta (Province of Ancona)	113,048	—	102	188 thousand metric tons	Finishing
Castelraimondo (Province of Macerata)	63,851	—	65	6 thousand metric tons	Finishing paper and cardboard products
Ospiate di Bollate (Province of Milan)	19,490	3	75	3.0 million km	Security features
Salto (Brazil)	39,000	3	265	19 thousand metric tones	Specialty graphic paper, banknotes.

Converting Segment Facilities

Facility	Total surface area (m³)	No. of machines	Employees at March 31, 2018	Annual Capacity	Products
Arco (Province of Trento)	44,798	4	169	500 million square meters	Self-adhesive products
Sant Gregory (Spain)	37,545	2	176	400 million square meters	Self-adhesive products
Vilablareix (Spain)	6,000	2	16	39 million square meters	Self-adhesive products
Jundiai (São Paulo, Brazil)	28,000	1	79	120 million square meters	Self-adhesive products
Cerritos (California, United States)	3,000	—	3	9 million square meters	Finishing
McCook (Illinois, United States)	14,500	—	22	10.5 million square meters	Finishing

In the twelve months ended March 31, 2018, we sold approximately 438 thousand metric tons of paper (including interdivision sales) and approximately 134 thousand metric tons of self-adhesive products.

Following the Cordenons Acquisition, we will operate two additional production facilities, which are also paper mills, in Cordenons and Scurelle, both located in Italy. In the year ended December 31, 2017, Cordenons had an annual production of approximately 37,000 metric tons of paper.

Facility	No. of machines	Employees at December 31, 2017	Annual Capacity	Products
Cordenons (Province of Pordenone)............	2	200	30 thousand metric tons	Special paper, industrial paper
Scurelle (Province of Trento)	1	45	15 thousand metric tons	Special paper, industrial paper

We also own other properties, including residential properties (which are leased at market rates), garages, offices, transformer rooms and warehouses. We own almost all of the production facilities and manufacturing equipment necessary to conduct our businesses (the remainder are under various leasing arrangements). As of March 31, 2018, we owned assets under finance leases for a total amount of €4.5 million.

Information and Communication Technology

Our critical information technology systems are largely operated and hosted internally. Our core systems are distributed in data centers located in Italy and in the main subsidiaries in the United States, Brazil and Spain. Other non-core IT systems are operated locally by our local subsidiaries or hosted by local service providers.

Intellectual Property

We hold intellectual property rights in the form of trademarks, patents, designs, utility models and domain names. These include approximately 600 trademarks, which are protected in Italy, in Europe and internationally, including Fedrigoni, Fabriano, Arconvert, Manter and GPA. We also hold several domain names (such as fedrigonicartiere.com, fedrigoni.com, fabrianoboutique.com, fabriano.com), 16 patents at the Italian, European and international levels (such as Apparatus for manufacturing paper with watermarks and patterns registered in the United States and Method for producing coated paper with pearlescent effect registered in Italy), two community designs (i.e., Security Card and Adornment for covers of notebook, block notes, agenda, etc.), two Italian designs (i.e., Marked paper and cardboard and Striped paper and cardboard) and the utility model Invisible Continuous Spiral Binding Sheet Block. We also hold licenses for the use of three patents relating to certain security products. Moreover, following the Cordenons Acquisition, we will own additional recognizable trademarks (such as Astrosilver, Modigliani, Wild, Papermilk, Dalí, Malmero, So…Silk, Divina and Natural Evolution) and various patents.

Employees

The following table sets forth the number of our employees expressed in full-time equivalents ("FTE") by function and business, respectively, as of December 31, 2015, 2016 and 2017, and as of March 31, 2017 and 2018.

	As of December, 31,			As of March 31.	
	2015	**2016**	**2017**	**2017**	**2018**
Top Managers	63	65	65	66	66
White collar employees	963	1,003	998	1,006	964
Blue collar	1,627	1,652	1,630	1,694	1,678
Fedrigoni Group Total[(1)]	**2,653**	**2,720**	**2,693**	**2,766**	**2,708**

(1) Employee figures are FTE figures (excluding temporary workers). Employee figures are based on the number at period-end.

Our employees in Italy are subject to the following Italian national collective bargaining agreement (*Contratto Collettivo Nazionale del Lavoro or CCNL*):

- the "*CCNL*" for employees operating in the paper industry sector, in force until December 31, 2019, with respect to employees assigned to the sites of Verona, Arco, Castelraimondo, Fabriano, Pioraco, Rocchetta, Varone, Buttapietra and to employees assigned to the commercial branches located in Italy;
- the "*CCNL*" for employees of the graphic industry sector, expired in 2015 and currently under negotiation, with respect to employees assigned to the site of Bollate;
- the "*CCNL*" for employees operating in the commercial sector, in force until July 31, 2018, with respect to employees assigned to the Italian stores branded Fabriano located in Rome, Milan, Florence, Verona and Venice; and
- the "*CCNL*" for executives operating in the industrial sector, in force until December 31, 2018, applicable to all management.

We are also subject to collective bargaining agreement in certain countries in which we operate, including Spain.

We consider our relations with employees, works councils and unions to be satisfactory, and we have not had any significant labor issues during the past three years.

As of March 31, 2018, the amount set aside under our severance indemnities under employees' contracts of employment amounted to €0.7 million.

As of December 31, 2017, Cordenons employed 290 full-time employees. The executives of Cordenons are subject to the "CCNL" for executives operating in the industrial sector, and its employees are subject to the "CCNL" for employees of the paper industry sector.

Pensions

Italian law provides that, upon termination of employment, Italian employees are entitled to severance pay (trattamento fine rapporto) based on their annual salary, the duration of their employment and the rate of inflation. We have both defined-contribution and defined-benefit pension plans. We make pension contributions on behalf of our employees as required by applicable Italian law. Other than increases in contributions required by law, we do not expect significant pension liabilities going forward. We also operate a number of other pension schemes in certain countries in which we operate, such as Spain and the United States.

Insurance

As part of our insurance program, we maintain general and product liability insurance, environmental liability insurance, all risk property and business interruption insurance, cargo and transport insurance, electronic insurance, credit insurance, robbery insurance, surety insurance, as well as health and accident insurance covering most subsidiaries and operations to the extent we consider appropriate or otherwise required by applicable law. We are not currently involved in any material claims under any of our insurances.

Legal Proceedings

From time to time we become involved in various claims and lawsuits arising in the ordinary course of our business, such as labor law related claims, disputes with our suppliers, authorities or business partners, health and safety, environmental and intellectual property disputes as well as criminal proceedings. In particular:

- *Givecart Litigation*: Givecart S.p.A. ("Givecart") has brought an action against Fedrigoni, requesting to be held harmless and indemnified against the losses arising from a claim brought against it by Partenografica S.r.l. for a total amount of €4.0 million (plus VAT and interests) for consequential damages in relation to a contract for the production of certain paper products. Givecart's claim has been rejected in the first and second instances, by the Tribunal and the Court of Appeal of Naples, respectively. Givecart is, however, still entitled to challenge the decision before the Supreme Court (Corte di Cassazione), as the relevant statutory time limits have not expired yet.

- *Crane Litigation*: Crane & Co. Inc. ("Crane") has brought an action against Fedrigoni for a total amount of €8.2 million for an alleged patent infringement relating to a Security Business Line product. Crane's claim has been rejected in the first and second instances by the Tribunal and the Court of Appeal of Bologna, respectively. Crane is, however, still entitled to challenge the decision before the Supreme Court (Corte di Cassazione), as the relevant statutory time limits have not expired yet.

- *Consip Proceeding*: In 2015, Consip (the Italian governmental agency that acts, inter alia, as central purchasing body) excluded Fedrigoni from a public tender for the supply of stationery products to Italian schools due to the failure to report in the administrative documentation required in the context of such tender that both the former CEO and a senior manager of Fedrigoni had criminal records. Fedrigoni challenged Consip's decision before the competent Regional Administrative Court (TAR Lazio) which confirmed the exclusion from the tender. In September 2016, Fedrigoni challenged this decision before the competent Italian Supreme Administrative Court (Consiglio di Stato). As of the date of this Offering Memorandum, the competent Italian Supreme Administrative Court has not scheduled yet a hearing for the discussion of the merit of the case. The potential consequence of a negative ruling by the competent Italian Supreme Administrative Court is the exclusion of Fedrigoni from one or more public procurement processes for a period of up to three years from the date in which the negative decision becomes final and binding. Following a notice from Consip summarizing the content of its decision, the Italian Anti-Corruption Authority (ANAC) ruled in 2016 that the omission of Fedrigoni was not due to gross negligence or fraud and dismissed the case opened before ANAC itself. Moreover, in February 2016, the Public Prosecutor before the Court of Rome commenced a criminal investigation against the senior manager of Fedrigoni alleging the offence of false declaration (falso ideologico), which criminal case had been dismissed.

- *Labor Law Litigation*: Our subsidiary, Fedrigoni Brazil Papeis Ltda., is involved in disputes with several employees and Brazilian Labour Unions claiming overtime payments, hazard entitlements and compensation for moral damages. The overall amount of pending claims is equal to approximately €2.6 million.

- *Tax litigation*: We have been challenged by competent Italian tax authorities with reference to the proper determination of excise duties (accise) to be paid in relation to the consumption of electric energy utilized during the production process at our production facilities located in Fabriano, Pioraco and Castelraimondo, Italy, for a total amount of approximately €2.3 million (including penalties) for the periods 1993-1998 and 2008-2016. We have appealed against these challenges before the competent tax courts and, as of the date of this Offering Memorandum, the relevant proceedings are pending.

As of March 31, 2018, the provision set aside to cover all the risks deriving from the aforementioned pending proceedings amounted to €3.4 million.

Otherwise, we are currently not involved in any legal proceedings which, either individually or in the aggregate, are expected to have a material adverse effect on our financial position or results of operations. We note, however, that the outcome of legal proceedings can be extremely difficult to predict, and we offer no assurances in this regard.

MANAGEMENT

The Issuer

The Issuer, Fabric (BC) S.p.A., was incorporated in Italy as Fabric (BC) S.r.l. on December 12, 2017, and converted to a società per azioni on January 15, 2018. The Issuer is registered under number 10134140960 with the Companies Register of Milan, Monza, Brianza and Lodi (Registro delle Imprese di Milano, Monza, Brianza e Lodi) and has its registered office at Via Vittor Pisani no. 20, Milan. The Issuer has an authorized share capital of €1,000,000 divided into 1,000,000 fully paid shares with a par value of €1 each. The Issuer's immediate shareholder is HoldCo which is indirectly controlled by the Sponsor.

The Issuer currently has a board of directors comprising two directors. As of the date of this Offering Memorandum, the Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Issuer's directors can be contacted at the Issuer's business address. The persons set forth below are the current members of the Issuer's board of directors together with their age and title.

Name	Age	Position
Ivano Sessa	40	Chairman of the Board of Directors
Giacomo Massetti	30	Director

Set forth below is information concerning the Issuer's board of directors.

Ivano Sessa serves as the chairman of the board of directors of the Issuer since 2017. Mr. Sessa is also a managing director in the Industrial & Energy Vertical team and a member of the European Private Equity team at Bain Capital Private Equity. Prior to joining Bain Capital in 2004, Mr. Sessa was a consultant with Bain & Company in the New York, Atlanta and Milan offices where he provided strategic and operational advice to private equity, industrial and financial services clients. Mr. Sessa currently serves on the board of directors of Autodistribution S.A., MSX International, and European Fintyre Distribution Limited. Mr. Sessa holds a BS magna cum laude in business administration from Bocconi University in Milan.

Giacomo Massetti serves as a director of the Issuer since 2018. Mr. Massetti is also vice president in the Consumer, Retail & Dining Vertical team and a member of the European Private Equity team at Bain Capital Private Equity. Prior to joining Bain Capital in 2014, Mr. Massetti worked in the Diversified Industrial and Real Assets coverage team at J.P. Morgan. Mr. Massetti holds a MS in finance and a BS in economics and finance from Bocconi University in Milan.

There are no potential conflicts of interest between the private interests of the board of directors and their duties to the Issuer.

Share Ownership

We expect that our executive management team will benefit from a co-investment plan in connection with the Fedrigoni Acquisition. See "Principal Shareholders."

Fedrigoni

Fedrigoni is a società per azioni organized under the laws of Italy. Fedrigoni was incorporated on August 9, 1999, has its registered office at Viale Piave 3, 37135 Verona, Italy and is registered under number 01664630223 with the Companies Register of Verona (Registro delle Imprese di Verona). Fedrigoni is managed by its executive management team.

Executive Management

Fedrigoni is managed by an executive management team consisting of seven key members, each of whom oversees a specific aspect of Fedrigoni's business. See "Risk Factors—Risks Related to Our Business—We may be unable to recruit and retain key personnel, including qualified scientific, technical and sales employees."

Set forth below are the members of Fedrigoni's executive management team as of the date of this Offering Memorandum:

Name	Age	Position
Chiara Medioli	46	Marketing Director of Fedrigoni S.p.A.
Vittorio Sfligiotti	47	Chief Financial Officer of Fedrigoni S.p.A.
Eugenio Berenga	52	Chief Executive Officer of Fedrigoni S.p.A.
Carlo Codermazzi	49	General Manager of Arconvert S.p.A.
Clemente Porras	57	General Manager of Arconvert S.A.
Michel Giordani	59	Chief Executive Officer of Fedrigoni Brasil Papeis Ltda.
Bob Niesen	50	Chief Executive Officer of GPA Holding Company Inc.

Set out below are brief summaries of the biographies of the members of Fedrigoni's executive management team.

Chiara Medioli has been Fedrigoni's marketing director since 2009. She joined the Fedrigoni Group in 2002. Prior to that, from 1999 to 2002, she was co-owner and founder of Booktailor in London. Ms. Medioli serves on the board of directors of Fedrigoni Seller, GPA Holding Company Inc., the Fondazione G. Fedrigoni-Istocarta and the Fondazione Museo Bodoni. Following the Fedrigoni Acquisition Closing Date, Ms. Medioli became responsible for the marketing function of the Fedrigoni Group. Ms. Medioli holds a degree in master's degree in economics from the University Cà Foscari in Venice (including a one-year grant from Berkeley University in California in the United States).

Vittorio Sfligiotti has been Fedrigoni's Chief Financial Officer since 2012. He joined the Fedrigoni Group in 2002, as consolidated financial statements and affiliated companies coordination officer. Mr. Sfligiotti is also supervisor of Fedrigoni (Shanghai) Company Ltd. From 1998 to 2002, he worked at Siemens Enterprise Consulting in Milan. Mr. Sfligiotti currently serves on the board of directors of Arconvert S.p.A. and Arconvert S.A. Mr. Sfligiotti holds a degree in business from the Bocconi University in Milan (Italy).

Eugenio Berenga has served as chief executive officer and a director of Fedrigoni since April 16, 2018. Mr. Berenga currently serves as a Managing Director of Alix Partners LLC. Prior to joining Alix Partners, he served as a Principal and was a member of the automotive and assembly practice and a member of the strategic sourcing practice at A.T. Kearney. Mr. Berenga holds an MBA from SDA-Bocconi with honors and a bachelor's degree in Business Administration from Bocconi University of Milan.

Carlo Codermazzi has been Arconvert's General Manager since 2015. He joined the Fedrigoni Group in 2005, as manager of the production facility located in Arco Italy. From 2006 to 2013, he was the manager of the production facility located in Verona in 1999. From 2013 to 2014, he was the business development manager of Arconvert S.p.A. and from 2014 to 2015 he was the operational director of Arconvert S.p.A. Prior to that, from 1998 to 2004, he worked as production manager of the Burgo Group and, from 2004 to 2005, he was production manager of the Lecta Group. Mr. Codermazzi currently serves on the board of directors of Arconvert S.p.A. and Arconvert S.A. Mr. Codermazzi holds a degree in chemical engineering from the University of Trieste (Italy).

Clemente Porras has been General Manager of Arconvert S.A. since 2005. He joined Arconvert S.A. in 1999, as production manager. From 1986 to 1998 he worked at CYG, a company that operates in the self- adhesive products sector, where he came to hold the position of production and purchasing manager. Mr. Porras currently serves on the board of directors of Arconvert S.p.A. and Arconvert S.A. Mr. Porras holds a master's degree in operations management from EADA and a master's degree in business administration from IESE.

Michel Giordani has been Chief Executive Officer of Fedrigoni Brasil Papeis Ltda. since 2015. Prior to that, he was the Chief Executive Officer at Arjo Wiggins Brasil. Mr. Giordani holds a degree in business administration from the Fundação Getúlio Vargas in São Paulo (Brazil).

Bob Niesen has been Chief Executive Officer of GPA Holding Company Inc. since 2015. Prior to that, from 2009 to 2014, he was president and senior vice president of the marketing & sales department of GPA Holding Company Inc. Mr. Niesen holds a degree in science in public relations from the Illinois State University (United States).

Executive Management Compensation

Fedrigoni's executive management received total remuneration of €1.7 million in the twelve months ended March 31, 2018, €1.7 million in the year ended December 31, 2017, €4.2 million in the year ended December 31, 2016 and €4.0 million in the year ended December 31, 2015.

Board of Directors

Fedrigoni currently has a board of directors comprising of three directors. The persons set forth below are the current members of Fedrigoni's board of directors together with their age and title:

Name	Age	Position
Eugenio Berenga...	52	Director, Chairman of the Board
Maurizio Mussi..	40	Director
Vittorio Sfligiotti	47	Director

Set forth below are brief summaries of the biographies of the members of Fedrigoni's board of directors. See "—*Executive Management*" above for information about Messrs. Sfligiotti and Berenga.

Maurizio Mussi has served as a director of Fedrigoni S.p.A. since April 16, 2018. Mr. Mussi is an Operating Partner and a member of the European Private Equity team at Bain Capital Private Equity (Europe), LLP, prior to which he served as a Senior Vice President and Executive Vice President at Bain Capital. Mr. Mussi currently serves on the board of directors for Nexi Payments S.p.A. and Bassilichi S.p.A. Mr. Mussi holds a BBA from Bocconi University and an MBA from Harvard Business School.

Management and Control Organizational Model Pursuant to Legislative Decree 231/2001

Fedrigoni adopted a management and control organizational model in accordance with Legislative Decree No. 231/2001, effective from December 2008. This organizational model identifies areas where Fedrigoni could be at risk of potentially committing criminal offenses, and governs the functions and powers of the supervisory committee (organismo di vigilanza), both setting its requirements and ensuring adequate informational flows towards it. The organizational model further includes a penalty system, ensuring the effectiveness of the model itself, and a "Code of Ethics," which summarizes all the guiding principles that employees and associates of Fedrigoni are required to comply with.

PRINCIPAL SHAREHOLDERS

The Issuer

The Issuer, Fabric (BC) S.p.A., was incorporated in Italy as Fabric (BC) S.r.l. on December 12, 2017, and converted to a società per azioni on January 15, 2018. The Issuer is registered under number 10134140960 with the Companies Register of Milan, Monza, Brianza and Lodi (Registro delle Imprese di Milano, Monza, Brianza e Lodi) and has its registered office at Via Vittor Pisani no. 20, Milan.

The Issuer has an authorized share capital of €1,000,000 divided into 1,000,000 fully paid shares with a par value of €1 each. The Issuer is a wholly-owned subsidiary of TopCo through TopCo's holdings in its wholly-owned subsidiary MidCo and MidCo's holding in its wholly-owned subsidiary HoldCo. Bain Capital controls TopCo and initially will hold (directly and indirectly) approximately 90% of the share capital of TopCo, with the remaining approximately 10% of the share capital of TopCo being held by a special purpose vehicle established by a member of the Fedrigoni family which will re-invest in the Group via such holding in TopCo. In addition, certain current and future members of the Group's management will be invited to participate in a co-investment plan through which they may subscribe for indirect interests in TopCo granting them certain rights in respect of TopCo. The rights of the shareholders in TopCo will be governed by customary shareholders' agreements.

The Issuer is the direct owner of 99.99945% of the share capital of Fedrigoni, with the remaining share capital held by certain minority shareholders. The Issuer is also the direct owner of the entire share capital of Bianco Bidco which, following the Cordenons Acquisition Closing Date, will be the direct owner of all of the issued and outstanding share capital of Cordenons.

For an overview of our corporate structure see "Summary—Summary Corporate and Financing Structure."

Our Principal Shareholder—Bain Capital

Bain Capital is a leading global private investment firm that advises and manages capital across several asset classes, including private equity, venture capital, public equity and leveraged debt assets. Since its inception in 1984, Bain Capital and its affiliates have completed over 450 transactions and have made investments in more than 300 companies in a broad range of industries, including healthcare, consumer/retail, financial and business services, industrials, and technology, media and telecommunications. Bain Capital's global team of approximately 355 investment professionals creates value for its portfolio companies through its global platform and depth of expertise, managing approximately $US 95 billion in total and leveraging the firm's shared platform to capture opportunities in strategic areas of focus. The firm not only has a strong track record of investments in the paper industry, including its investments in American Pad & Paper (specialized in branded paper office products), Buhrmann (a worldwide distributor of office products and specialty graphic papers), Container Corp (a producer of paperboard & packaging products), Trinseo (a global chemical manufacturer of latex products for usage in the paper industry), Suddekor (a leading printer of décor paper for high quality furniture and flooring surfaces), Veritiv (a leading paper and packaging distribution provider in North America) and Greatview (a major aseptic paper packaging producer in China), but also in transformational investments in Italy, including its investments in Cerved, Fintyre, Nexi and TeamSystem. Globally, the firm has successfully invested in market- leading companies, such as Apple Leisure Group, Bloomin Brands, Burger King, Burlington Coat Factory, Dollarama, Dunkin Brands, Jack Wolfskin, Jupiter Shop Channel, Maisons Du Monde, Samsonite and Verisure/ Securitas Direct. Bain Capital has investors from across the world that include sovereign wealth funds, public pension funds, foundations, insurance companies, family offices, high-net-worth individuals and funds of funds. Headquartered in Boston, Bain Capital and its affiliates have offices in Chicago, Palo Alto, San Francisco, New York, Dublin, London, Luxembourg, Munich, Melbourne, Hong Kong, Shanghai, Mumbai, Sydney and Tokyo.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we have entered into intercompany loans, cash pooling arrangements, guarantees and commercial agreements with our shareholders and affiliates.

We believe that all transactions of the Group with affiliated companies and persons have been negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's-length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third-parties. Additionally, the Cordenons Group has certain supply arrangements and a lease in respect of its headquarters with entities controlled by the Cordenons Sellers.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material terms of our 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. Capitalized terms used in the following summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.

Cordenons Bridge Facilities Agreement

The Issuer, as borrower, entered into a senior bridge facilities agreement on July 5, 2018, among, inter alios, BNP Paribas, Italian Branch, as agent and security agent (the "Cordenons Bridge Facilities Agreement"). The committed amount of €125.0 million (the "Cordenons Bridge Facilities") was funded under the Cordenons Bridge Facilities Agreement on July 10, 2018. The proceeds from the Cordenons Bridge Facilities were used to pay a portion of the purchase price for the shares of Cordenons purchased on the Cordenons Acquisition Closing Date, to pay certain fees and expenses in connection with the funding of the Cordenons Bridge Facilities and the Cordenons Acquisition and will be used to repay certain Cordenons Existing Debt. The Cordenons Bridge Facilities governed by the Cordenons Bridge Facilities Agreement mature on July 10, 2019, when, absent the occurrence of certain events of default thereunder, the obligations under the Cordenons Bridge Facilities Agreement will convert into a long-term loan maturing on November 30, 2024. The Cordenons Bridge Facilities are secured on a first-ranking basis by the Collateral. The Cordenons Bridge Facilities Agreement provides for substantially the same covenants and events of default as under the Notes. The borrowings under the Cordenons Bridge Facilities Agreement will be repaid at par, plus accrued and unpaid interest, with the proceeds from the Offering. See "Use of Proceeds."

Revolving Credit Facility Agreement

Overview and Structure

On April 11, 2018, the Issuer entered into the Revolving Credit Facility Agreement, which provides for a super senior revolving credit facility in a principal amount of €100.0 million.

The Revolving Credit Facility may be utilized by the Issuer and certain of its restricted subsidiaries which accede to the Revolving Credit Facility Agreement as additional borrowers of that facility and may be applied in or towards (directly or indirectly) financing or refinancing the working capital and/or the general corporate purposes of the Group.

The Revolving Credit Facility is available in euros, sterling, U.S. dollars and certain other currencies readily available in the relevant interbank market by the drawing of cash advances, the issue of letters of credit and ancillary facilities (on a bilateral and fronted basis).

The Revolving Credit Facility Agreement includes (in addition to other permissions under the limitation on indebtedness covenant) the ability (without double counting against the limitation on indebtedness covenant) to incur additional indebtedness under one or more uncommitted additional facilities within the Revolving Credit Facility Agreement up to an aggregate amount of the greater of €110.0 million and 91.0% of Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement and subject to certain customary additions including the amount of prepayments and buy-backs).

Availability

The Revolving Credit Facility may be utilized from (and including) the Fedrigoni Acquisition Closing Date to (and including) the date which is one month prior to the maturity date of the Revolving Credit Facility, which is six years from the Fedrigoni Acquisition Closing Date.

Interest and Fees

Loans under the Revolving Credit Facility initially bear interest at rates per annum equal to EURIBOR, or for loans denominated other than in Euro, LIBOR, plus an applicable margin, which in each case will be subject to a decreasing margin ratchet based on the ratio of consolidated senior secured net debt to consolidated pro forma EBITDA (the "Consolidated Senior Secured Net Leverage Ratio").

If EURIBOR is less than zero, EURIBOR shall be deemed to be zero in respect of loans made under the Revolving Credit Facility. If LIBOR is less than zero, LIBOR shall be deemed to be zero in respect of loans made under the Revolving Credit Facility.

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility from the Fedrigoni Acquisition Closing Date to the end of the availability period applicable to the Revolving Credit Facility at a rate of 35% of the applicable margin for the Revolving Credit Facility. Commitment fees are payable quarterly in arrears and on the date the Revolving Credit Facility is cancelled in full or on the date on which the relevant lender cancels its commitment.

Default interest is calculated as an additional 1% on the defaulted amount.

Repayments

The loans made under the Revolving Credit Facility will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings. All outstanding amounts under the Revolving Credit Facility will be repaid on the date falling six (6) years from the Fedrigoni Acquisition Closing Date. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be reborrowed, subject to certain conditions.

The Revolving Credit Facility Agreement allows for voluntary prepayments (subject to de minimis amounts). The Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a "Change of Control."

A "Change of Control" for the purposes of the Revolving Credit Facility is defined as per the Notes.

Guarantees and Security

The Revolving Credit Facility will be guaranteed by the Guarantor.

The Revolving Credit Facility is secured on a first-ranking basis by the Collateral and by a special lien (privilegio speciale) over the movable assets of Fedrigoni MergerCo to be granted by Fedrigoni MergerCo in accordance with article 46 of the Italian Banking Act following the Fedrigoni Post-Completion Merger. See "Description of the Notes—Security."

Subject to certain adjustments and the agreed security principles that apply to the Revolving Credit Facility Agreement, the Issuer is required to ensure that members of the Group that generate at least 80% of Reported EBITDA (as defined in the section entitled "Description of the Notes") are guarantors of the Revolving Credit Facility Agreement (i) on the date which is 120 days following the Fedrigoni Merger Date and (ii) thereafter on the date when the annual financial statements of the Issuer are required to be delivered to the agent in connection with the Revolving Credit Facility Agreement.

The provision and the terms of the security and guarantees set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Revolving Credit Facility Agreement (and, to the extent such requirement is not satisfied on such date, the Issuer shall ensure that it is so satisfied within 120 days of such date).

Representations and Warranties

The Revolving Credit Facility Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including, among others, (i) status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence and pari passu ranking, (ii) no insolvency, taxation and no litigation, (iii) no default, financial statements, base case model and reports, (iv) no liens/indebtedness, (v) ownership, (vi) intellectual property and (vii) centre of main interests and compliance with sanctions and anti-corruption laws.

Certain representations and warranties were made on the Fedrigoni Acquisition Closing Date and will be repeated on the date of each utilization, on the first day of each interest period (other than in the case of roll over cash drawings) and at certain other times.

Covenants

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments and exceptions) under the Existing Notes Indenture and the Existing Notes.

The Revolving Credit Facility Agreement also contains a "note purchase condition" covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, the Issuer may not, and shall procure that no restricted subsidiary will, repay, prepay, purchase, defease, redeem or otherwise directly or indirectly acquire or retire the principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time). The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal face value amount of the Notes as at the Issue Date (the "Notes Purchase Basket") or to the extent the aggregate principal face value amount exceeds the Notes Purchase Basket an amount of the commitments under the Revolving Credit Facility are cancelled or prepaid in the same proportion by which the Notes in excess of the Notes Purchase Basket are prepaid or redeemed or otherwise returned for value, until the commitments under the Revolving Facilities are reduced to €50,000,000.

The Revolving Credit Facility Agreement also requires the Issuer and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including covenants relating to (i) authorizations, (ii) compliance with laws; (iii) provision of guarantees and security and further assurance and (iv) compliance with sanctions, anti-money laundering and anti-corruption laws.

In addition, the Revolving Credit Facility Agreement includes a financial covenant requiring the drawn super senior leverage ratio not to exceed a ratio to be set with 35% headroom versus the base case model for the Revolving Credit Facility (which shall be calculated by reducing Reported EBITDA as set out in that base case model (the "Drawn Super Senior Leverage Ratio")). The Drawn Super Senior Leverage Ratio is calculated as the ratio of consolidated drawn loans under the Revolving Credit Facility, less the aggregate amount of cash, cash equivalents and temporary cash equivalents held by the Group (the "Drawn Super Senior Facilities Debt") to consolidated pro forma EBITDA for the twelve month period preceding the relevant quarterly testing date and is tested quarterly on a rolling basis, subject to the Revolving Credit Facility being (excluding any utilizations by way of letters of credit (or bank guarantees), ancillary facilities any flex or flex related fees or expenses) greater than 35% drawn on the relevant test date. The Drawn Super Senior Leverage Ratio only acts as a draw stop to new drawings under the Revolving Credit Facility and, if breached, will not trigger a default or an event of default under the Revolving Credit Facility Agreement.

The Drawn Super Senior Leverage Ratio is based on the definitions and adjustments in the Revolving Credit Facility Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this Offering Memorandum.

The Revolving Credit Facility Agreement contains an equity cure provision enabling the shareholders of the Issuer to make shareholder injections by way of debt and/or equity to the Issuer to be (i) added to consolidated pro forma EBITDA, (ii) taken into account when calculating Drawn Super Senior Facilities Debt or (iii) taken into account when calculating if the Test Condition (as defined in the Revolving Credit Facility Agreement) has been met. The equity cure right may not be exercised on more than five occasions during the term of the Revolving Credit Facility and may not be exercised in consecutive quarters.

Events of Default

The Revolving Credit Facility Agreement provides for substantially the same events of default as under the Existing Notes. In addition, the Revolving Credit Facility Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including (i) inaccuracy of a representation or statement when made, (ii) repudiation, rescission, invalidity and unlawfulness of the Revolving Credit Facility financing documents and (iii) material failure to comply with the Intercreditor Agreement.

Governing Law

The Revolving Credit Facility Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although the information undertakings, restrictive covenants, events of default and related definitions scheduled to the Revolving Credit Facility Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility Agreement is governed by English law).

Existing Notes

On May 11, 2018, the Issuer issued €455.0 million in aggregate principal amount of its Existing Notes, the gross proceeds of which were used, together with cash on hand at the Issuer, to refinance the Fedrigoni Bridge Facilities. The Existing Notes were issued at a price of 100%, and accrue interest at a rate of three-month EURIBOR, plus 4 1⁄8% per annum, reset quarterly, from their issue date, with interest payment dates on each August 31, November 30, February 28 and May 31, commencing on August 31, 2018. The Existing Notes will mature on November 30, 2024.

The Existing Notes are redeemable at any time prior to May 31, 2019, at a redemption price equal to 100% of the principal amount of the Existing Notes being redeemed, plus accrued and unpaid interest and additional amounts, if any, thereon, plus a "make-whole" premium. At any time on or after May 31, 2019, but prior to May 31, 2020, the Existing Notes are redeemable at a redemption price equal to 101% of the principal amount of the Existing Notes being redeemed, plus accrued and unpaid interest and additional amounts, if any, thereon. On and after May 31, 2020, the Existing Notes may be redeemed at a redemption price equal to 100% of the principal amount of the Existing Notes being redeemed, plus accrued and unpaid interest and additional amounts, if any, thereon. The Existing Notes are also redeemable in certain other circumstances, including as a result of changes in taxation and following certain tender offers.

The Existing Notes are general, senior obligations of the Issuer. As of the date of this Offering Memorandum, the Existing Notes are not guaranteed by any subsidiary of the Issuer. Subject to certain agreed security principles and certain local law limitations, each of Arconvert S.A. and Bianco Bidco are expected to guarantee the Existing Notes on a senior secured and joint and several basis on the earlier of (i) the date on which it provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date. If the Fedrigoni Post-Completion Merger has not occurred by November 16, 2019, Fedrigoni is expected to guarantee the Existing Notes, subject to certain agreed security principles and certain local law limitations, on a senior secured and joint and several basis on the earlier of (i) the date on which it provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Cut-Off Date. If any subsidiary of the Issuer grants a guarantee of the Revolving Credit Facility or the Existing Notes, it is expected, subject to certain agreed security principles, that such subsidiary will grant a guarantee of the Existing Notes as well.

As of the date of this Offering Memorandum, the Existing Notes are secured, subject to certain limitations, on a first-priority basis by security interests in (i) a pledge over the entire share capital of the Issuer, (ii) a security assignment over the intercompany payables owed by the Issuer to HoldCo, if any, (iii) a pledge over the material bank accounts of the Issuer, (iv) a pledge over the shares of Fedrigoni owned by the Issuer and (v) the Issuer's claim vis-à-vis Fedrigoni and its applicable subsidiaries arising from any intercompany loans advanced by the Issuer to the Fedrigoni Group for the refinancing of the Fedrigoni Group's indebtedness (including the Fedrigoni Funding Loan). Following the Fedrigoni Post-Completion Merger, the Existing Notes are expected, subject to certain agreed security principles and certain local law limitations, to be secured by the Fedrigoni Post-Merger Collateral. In addition, if any security is granted in favor of the Revolving Credit Facility or the New Notes, such security, subject to certain agreed security principles, is expected to be granted in favor of the Existing Notes as well.

The Existing Notes were listed on Euronext Dublin and admitted for trading on the Global Exchange Market thereof on the Existing Notes Issue Date.

The covenants, events of default and requirements to make offers to repurchase relating to the Existing Notes correspond to those in respect of the New Notes as described under "Description of the Notes."

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer and the Guarantors entered into an Intercreditor Agreement dated April 11, 2018 between, among others, the agent, arrangers and lenders under the Revolving Credit Facility Agreement and the Fedrigoni Bridge Facilities

Agreement, and the Security Agent. The Trustee acceded to the Intercreditor Agreement on May 11, 2018, as Senior Secured Notes Trustee (as defined in the Intercreditor Agreement).

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement is governed by English law and sets out various matters governing the relationship of the creditors to our group including the relative ranking of certain debt of the Issuer, the Guarantors and any other person that becomes party to the Intercreditor Agreement as a Debtor or Third Party Security Provider, when payments can be made in respect of debt of the Debtors or Third Party Security Providers, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and provisions related to the enforcement of shared security.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and of the Trustee. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

For the purposes of this description:

"Senior Secured Group" shall mean the Issuer and any of its Restricted Subsidiaries.

References to the "Senior Secured Notes" shall include the Notes and any other notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing has been made available to or by a member of the Senior Secured Group which are designated by the Issuer as Senior Secured Notes under the Intercreditor Agreement and references to the "Topco Notes" shall include any notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing has been made available to or by a Topco Borrower which are designated by the Issuer as Topco Notes.

The Intercreditor Agreement uses the term "the Company" to refer to the Issuer and "Senior Secured Notes Liabilities" to refer to the Notes and certain other indebtedness of the Issuer.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Issuer and each other debtor (under the Intercreditor Agreement) (together, the "Debtors") (other than Topco and any member of the Senior Secured Group which is designated as a Topco Borrower under the Intercreditor Agreement (a "Topco Borrower")) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(i) first, liabilities owed to (i) the lenders, issuing banks and ancillary lenders in relation to any senior secured facilities agreements (a "Permitted Senior Secured Facilities Agreement") (the "Senior Lender Liabilities"), (ii) the lenders, issuing banks, and ancillary lenders in relation to the Revolving Credit Facility Agreement or any future super senior facilities agreement (a "Permitted Super Senior Secured Facilities Agreement") and any hedge counterparty under a hedging agreement that is designated by the Issuer as super senior (together the "Super Senior Liabilities" and creditors thereof being the "Super Senior Creditors"), (iii) the Trustee and any trustee in relation to future senior secured notes (each a "Senior Secured Notes Trustee") (other than certain amounts paid to it in its capacity as trustee), the holders of the Notes or future senior secured notes (the "Senior Secured Notes") and the Security Agent in relation to the Senior Secured Notes (the "Senior Secured Notes Liabilities"), (iv) the lender under any future loan made by the issuer of any Senior Secured Notes (if so designated by the Issuer in its discretion and not including, for the avoidance of doubt, the Issuer) to a member of the Group for the purposes of on lending the proceeds of any Senior Secured Notes together with any additional or replacement loan made on substantially the same terms (the "Senior Secured Notes Proceeds Loan Liabilities"), (v) the arrangers, agents, issuing banks and lenders under any cash management facility (a "Cash Management Facility" and the liabilities under a Cash Management Facility being the "Cash Management Facility Liabilities"), (vi) the hedge counterparties in relation to any hedging agreements that are not Super Senior

Liabilities (the "Pari Passu Hedging Liabilities") (together with the hedging designated by the Issuer as being Super Senior Liabilities, the "Hedging Liabilities"), (vii) the lenders in relation to any future second lien facility agreement (a "Second Lien Facility Agreement" and the liabilities to the lenders under a Second Lien Facility Agreement being the "Second Lien Lender Liabilities"), (viii) any second lien notes trustee (other than certain amounts paid to it in its capacity as trustee), the holders of any future second lien notes and the Security Agent in relation to any second lien notes (such second lien notes being "Second Lien Notes" and the liabilities in respect of such Second Lien Notes being the "Second Lien Notes Liabilities" and together with the Second Lien Lender Liabilities, the "Second Lien Liabilities"), (ix) any agent or trustee under any finance documents relating to any of the aforementioned liabilities, any agent or trustee under the Topco Liabilities (as defined below) and to any agent or trustee in relation to certain other unsecured liabilities (together the "Agent Liabilities") and (x) the Security Agent, pari passu and without any preference between them; and

(ii) second, all liabilities owed (i) to the trustee (other than certain amounts paid to it in its capacity as Trustee), and the holders of any future notes issued by or in relation to which a New Debt Financing (as defined herein) has been made available to or by a Topco Borrower and designated by the Issuer as Topco Notes and the Security Agent in relation to such Topco Notes (the "Topco Notes Liabilities"), (ii) under any future loan facility made available to any Topco Borrower (the "Topco Facility Liabilities" and together with the Topco Notes Liabilities, the "Topco Liabilities"), and (iii) the liabilities owed under any future loan (a "Topco Proceeds Loan") made by any Topco Borrower for the purpose of on lending the proceeds of any Topco Notes or Topco Loans (the "Topco Proceeds Loan Liabilities"), pari passu and without any preference between them.

The Intercreditor Agreement provides that the liabilities owed by any Topco Borrower to the Secured Parties (as defined below) shall rank pari passu in right and priority of payment and without any preference between them in respect of (i) the Senior Lender Liabilities, (ii) the Super Senior Liabilities, (iii) the Senior Secured Notes Liabilities, (iv) the Cash Management Facility Liabilities, (v) the Hedging Liabilities, (vi) the Second Lien Lender Liabilities, (vii) the Second Lien Notes Liabilities, (viii) the Topco Liabilities, (ix) the Topco Proceeds Loan Liabilities and (x) the Agent Liabilities.

The Intercreditor Agreement provides that the intra-group liabilities owed by one member of the Senior Secured Group to another member of the Senior Secured Group (other than any Senior Secured Notes Proceeds Loan Liabilities or Topco Proceeds Loan Liabilities) (the "Intra-Group Liabilities") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the creditors under the Senior Lender Liabilities, Super Senior Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities, Agent Liabilities and Notes Liabilities (such creditors, together with the Security Agent, any receiver or delegate, any creditor of the Agent Liabilities and any arranger with respect to the Secured Liabilities, the "Secured Parties").

The Intercreditor Agreement also provides that the liabilities owed by any member of the Senior Secured Group (other than any Topco Proceeds Loan Liabilities) to a holding company of the Issuer or to any other person who becomes a subordinated creditor (a "Subordinated Creditor") under the Intercreditor Agreement (the "Subordinated Liabilities") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the Secured Parties, the unsecured liabilities of any unsecured creditors who are party to the Intercreditor Agreement (the "Unsecured Creditors") and to the Intra-Group Liabilities.

For the purposes of this description only:

"Debt Documents" means the Intercreditor Agreement and the documents creating or evidencing the Cash Management Facility Liabilities, the Hedging Liabilities, the Second Lien Liabilities, the Senior Secured Liabilities, any Senior Secured Notes Proceeds Loan Liabilities, the Topco Liabilities, the Topco Proceeds Loan Liabilities, the Unsecured Creditors, the Subordinated Liabilities and the Intra-Group Liabilities (each as defined in this description) and any other document designated as such by the Security Agent and the Issuer.

"Finance Documents" means the Revolving Credit Facility Agreement, any Permitted Senior Secured Facilities Agreement, any Permitted Super Senior Secured Facilities Agreement, the indenture in respect of any Senior Secured Notes, any Second Lien Facility Agreement, the indenture in respect of any Second Lien Notes, the facility agreement or other document or instrument documenting any Topco Facility (as defined in the Intercreditor Agreement), the indenture in respect of any Topco Notes and any document designated by the Issuer as an unsecured finance document under and in accordance with the Intercreditor Agreement.

"Secured Creditors" means the Super Senior Creditors, the Senior Secured Creditors, the Second Lien Creditors (as defined in the Intercreditor Agreement) and the Topco Creditors (each as defined below).

"Secured Debt Documents" means the documents relating to the Super Senior Liabilities, the Senior Secured Liabilities, the Second Lien Liabilities, the Topco Liabilities and the Hedging Liabilities.

"Senior Secured Group" shall mean the Issuer and any of its Restricted Subsidiaries.

"Third Party Security Provider" means Topco and any person that has provided Transaction Security (including Topco Shared Security) but is not a Debtor in respect of any direct borrowing or guarantee liabilities of the applicable secured obligations to which that Transaction Security relates (other than Topco Liabilities) and which is designated by the Issuer (in its discretion).

"Transaction Security" refers to security (from the Senior Secured Group, any Third Party Security Provider and Topco Shared Security (but excluding, for the avoidance of doubt, Topco Independent Transaction Security), as defined below) which is created, or expressed to be created, in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Transaction Security which is not Topco Shared Security shall secure all liabilities and present and future obligations of the Debtors and Third Party Security Providers to the Secured Parties (other than the creditors under the Topco Liabilities (the "Topco Secured Parties")) under the Debt Documents (other than the finance documents relating to the Topco Liabilities (the "Topco Finance Documents")).

"Topco Shared Security" refers to security at any time which is created, or expressed to be created, over each of (i) the shares in the Issuer held by any direct shareholder of the Issuer, (ii) all receivables owed by the Issuer to a Topco Investor, Subordinated Creditor or other Holding Company (as defined in the Intercreditor Agreement) or shareholder of the Issuer (including any Topco Proceeds Loan and the Topco Proceeds Loan Liabilities), (iii) the shares in any Topco Borrower which is a member of the Senior Secured Group, (iv) all receivables owed by a member of the Senior Secured Group under any Topco Proceeds Loan (or, in the case of a Topco Borrower which is a member of the Senior Secured Group, any Topco Proceeds Loan), (v) any escrow account relating to the proceeds of any Topco Liabilities and (vi), any other assets not falling within limbs (i), (ii), (iii), (iv) and (v) of this paragraph of a Topco Borrower which is not a member of the Group, and (to the extent that the Issuer has confirmed to the Security Agent that the granting of such Security in favor of the Topco Shared Security Secured Obligations is expressly permitted by any applicable prior ranking financing agreements) any other member of the Senior Secured Group in each case to the extent provided for by the Topco Finance Documents at any time and designated as Topco Shared Security by the Issuer (in its discretion) in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Topco Shared Security shall secure all liabilities and present and future obligations of each Topco Borrower that is not a member of the Senior Secured Group and each of its Restricted Subsidiaries (as defined in the documents governing the relevant Topco Notes or Topco Facility (as the case may be)) (the "Topco Group"), each Debtor and each Third Party Security Provider to the Secured Parties under the Secured Debt Documents.

"Topco Independent Transaction Security" refers to security (other than Transaction Security) which is created, or expressed to be created, by Topco or any Topco Borrower or its affiliates (in each case, other than a member of the Senior Secured Group) and designated as such by the Issuer (in its discretion) (together, the "Topco Independent Obligors") in favor of the Security Agent as agent or trustee for the other Topco Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Topco Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Topco Independent Transaction Security shall secure all liabilities and present and future obligations of each Topco Independent Obligor to the Topco Secured Parties under the Topco Finance Documents.

The Notes and the Guarantee will be Senior Secured Notes Liabilities for the purposes of the Intercreditor Agreement. On the Issue Date, no Second Lien Lender Liabilities, Second Lien Notes Liabilities or Topco Liabilities will be outstanding. Such liabilities and liabilities in respect of other new debt financings may only be incurred and/or designated if not prohibited under the terms of the Debt Documents, including, without limitation, the covenants applicable to the Notes described under "Description of the Notes—Certain Covenants."

Guarantees and Security: Topco Creditors

The creditors in respect of the Topco Liabilities (the "Topco Creditors") have the right to take, accept or receive the benefit of:

(i) any Topco Shared Security from any member of the Senior Secured Group or from a Third Party Security Provider in respect of the Topco Liabilities if and to the extent legally possible and subject to any Agreed Security Principles (as defined in the Revolving Credit Facility Agreement), at the same time it is also offered either:

(A) to the Security Agent as agent or trustee for the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or

(B) in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee for the Secured Parties (or applicable class thereof):

(I) to the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or

(II) to the Security Agent under a parallel debt structure, joint and several creditor structure or agency structure for the benefit of the other Secured Parties (or applicable class thereof),

and ranks in the same order of priority as described under "—Priority of Debts" or "—Priority of Security" above, provided that all amounts received or recovered by any Topco Creditor with respect to such Topco Shared Security are paid to the Security Agent for application as set out under "—Application of Proceeds" below immediately;

(ii) any guarantee, indemnity or other assurance from any member of the Senior Secured Group in respect of the Topco Liabilities in addition to any guarantee, indemnity or assurance in the original form of any Topco Finance Documents or the Intercreditor Agreement, or given to all the Secured Parties as security for the liabilities of the Topco Group, each Debtor and any Third Party Security Provider to the Secured Parties under the Debt Documents if, subject to any Agreed Security Principles (as defined in the Revolving Credit Facility Agreement):

(A) (except for any guarantee, indemnity or other assurance permitted by the Finance Documents), the Secured Parties other than the Topco Creditors (the "Priority Secured Parties") already benefit from such a guarantee, indemnity or other assurance or at the same time it is also offered to the Priority Secured Parties and ranks in the same order of priority as described under "—Priority of Debts" above, as applicable; and

(B) all amounts received by any Topco Creditor with respect to such guarantee, indemnity or assurance are paid to the Security Agent for application as set out under "—Application of Proceeds" below; and

(iii) any security, guarantee indemnity or other assurance from any member of the Topco Group:

(A) in connection with any escrow or similar arrangements relating to amounts held by a person which is not a member of the Topco Group prior to release of those amounts to a member of the Topco Group;

(B) in connection with any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Secured Liabilities not prohibited by the Intercreditor Agreement; or

(C) as otherwise permitted by the Intercreditor Agreement.

No security (other than pursuant to the secured documents relating to Topco Independent Transaction Security or Topco Shared Security or as described above) shall be granted by a member of the Senior Secured Group in respect of any Topco Liabilities.

New Debt Financing

The Intercreditor Agreement provides, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements that will constitute, for the purposes of the Intercreditor Agreement, Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Liabilities, Topco Liabilities, Super Senior Liabilities or Hedging Liabilities (each a "New Debt Financing"). The conditions include certification by the Issuer that such New Debt Financing is not prohibited under the terms of the Finance Documents.

Such financing arrangements may be implemented by way of refinancing, replacement, exchange, set-off, discharge or increase of any such new, existing, additional, supplemental or new financing arrangement under the relevant finance documents. In connection with and in order to facilitate any New Debt Financing, each agent in respect of any Priority Secured Liabilities and the Security Agent (and each other person party to a Transaction Security document or a Topco Independent Transaction Security document) is authorized and instructed to enter promptly into any new security document, amend or waive any term of an existing security document and/or release any asset from the Transaction Security or Topco Independent Transaction Security (as the case may be) subject to certain conditions, including as regards the terms of such security (which shall be, unless otherwise agreed by the Issuer or otherwise required by the Issuer to the extent that the existing Transaction Security or Topco Independent Transaction Security is not being amended or released and the new Transaction Security or new Topco Independent Transaction Security only secures the New Debt Financing, substantially the same as the terms applicable to the existing Transaction Security or Topco Independent Transaction Security over equivalent assets).

Where any indebtedness ("Permitted Acquired Indebtedness") which is not prohibited under the Finance Documents is incurred by or in connection with the acquisition of (i) a person or any of its subsidiaries who, after the Closing Date (as defined in the Intercreditor Agreement), becomes a Restricted Subsidiary or merges, consolidates or is otherwise combined with a Restricted Subsidiary, or (ii) in relation to an asset of any such person or which is otherwise acquired after the Closing Date (together an "Acquired Person or Asset"), any security, guarantee, indemnity or other assurance against loss in respect of such New Debt Financing which is subsisting at the date when the conditions to the incurrence of such New Debt Financing set out in the Intercreditor Agreement have been satisfied (or is to be granted thereafter, including subject to any condition or periodic testing) shall be permitted to subsist and there is no requirement to offer that security, guarantee, indemnity or other assurance in respect of any other liabilities under any Debt Document. No security, guarantee, indemnity or other assurance against loss is required to be given by any member of the Topco Group in respect of any liabilities (including under any Debt Document) (i) over any Acquired Person or Asset if this would breach a contractual undertaking applicable to the Topco Group or is excluded or exempt from being given under the Agreed Security Principles (as defined in the Revolving Credit Facility Agreement), (ii) over any asset required (including subject to any condition) to provide credit support in relation to any Permitted Acquired Indebtedness (other than as a result of any obligation to extend any Transaction Security rateably for the benefit of such Permitted Acquired Indebtedness), or (iii) where the grant of such security, guarantee, indemnity or other assurance against loss is prevented by the documentation relation to such Permitted Acquired Indebtedness or would give rise to an obligation (including any payment obligation but not including an obligation to extend any Transaction Security rateably for the benefit of such Permitted Acquired Indebtedness) under or in relation thereto.

Permitted Payments

Permitted Payments in Respect of the Senior and Super Senior Debt

The Debtors and Third Party Security Providers may make payment in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, Super Senior Liabilities and Cash Management Facility Liabilities (together with the Hedging Liabilities, the "Senior Secured Creditor Liabilities," the creditors in respect thereof being the "Senior Secured Creditors") at any time, provided that following certain acceleration events under the Revolving Credit Facility Agreement or any Permitted Senior Secured Facilities Agreement or Senior Secured Notes Indenture or Permitted Super Senior Secured Facilities Agreement or following certain insolvency events in relation to a member of the Senior Secured Group, payments may only be made by Debtors or Third Party Security Providers and received by creditors in accordance with the provisions described below under "—Application of Proceeds" provided that there shall be no obligation to turnover any such payments received, other than those related to an enforcement of Transaction Security or a Distressed Disposal (as defined below) of assets subject to the Transaction Security.

Any failure to make a payment in accordance with the Senior Secured Finance Documents following an acceleration event as required by the ICA shall not prevent the occurrence of an event of default under such applicable Senior Secured Finance Documents.

Permitted Payments in Respect of the Second Lien Debt

Prior to the first date on which all of the Senior Lender Liabilities, the Cash Management Facility Liabilities and the Pari Passu Hedging Liabilities (together, the "Senior Liabilities"), the Super Senior Liabilities and the Senior Secured Notes Liabilities (together, the "Senior Secured Liabilities" and together with the Second Lien Liabilities and Topco Liabilities being the "Secured Liabilities") have been discharged (the "Senior Secured Discharge Date"), the Debtors may only make specified scheduled payments in respect of the Second Lien Liabilities, in accordance with the finance documents governing such Second Lien Liabilities, subject to compliance with certain conditions in the Intercreditor Agreement.

The principal conditions are that the relevant payment (if it is a payment of principal or capitalized interest) is not prohibited by any prior ranking financing agreement, including the Revolving Credit Facility Agreement or any Permitted Super Senior Secured Facilities Agreement, Permitted Senior Secured Facilities Agreement and any Senior Secured Notes Indenture (or if it is so prohibited, that all necessary consents have been obtained to permit it), no payment stop notice has been issued to the agent or trustee for the relevant Second Lien Liabilities and no payment default (subject to a de minimis threshold in the case of amounts other than principal, interest or certain fees) is continuing under the Revolving Credit Facility Agreement or any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes document.

Certain specified payments in respect of Second Lien Liabilities are also permitted at all times, notwithstanding that a payment stop notice is outstanding or such a payment default is continuing. These payments and basket amounts are substantially similar to those referenced for Topco Liabilities in (ii) of the next paragraph.

Permitted Payments in Respect of Topco Liabilities

Prior to the date which is the later of the Senior Secured Discharge Date and the first date (the "Second Lien Discharge Date") on which all Second Lien Liabilities have been discharged (the "Priority Discharge Date"), the Issuer, Topco Borrowers, Third Party Security Providers and other members of the Senior Secured Group may only make specified scheduled payments (including any other direct or indirect step, matter, action or dealing in relation to any Topco Liabilities otherwise prohibited under the Intercreditor Agreement) under the Topco Liabilities or under any Topco Proceeds Loan (together the "Topco Group Liabilities") to the Topco Creditors or any holding company of the Issuer or other lender in respect of a Topco Proceeds Loan (in respect of the Topco Proceeds Loan Liabilities only) (such payments, collectively, "Permitted Topco Payments"):

(i) if:

(A) no Topco Payment Stop Notice (as defined below) is outstanding;

(B) no payment default (subject to a de minimis threshold in the case of amounts other than principal, interest or certain fees) has occurred and is continuing under any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes document (a "Senior Secured Payment Default"), or under the Second Lien Facilities or Second Lien Notes (a "Second Lien Payment Default"); and

(C) the payment is of (1) any amount of principal or capitalized interest in respect of the Topco Liabilities which is not prohibited by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or any required consents to permit such payment have been obtained, (2) any other amount including all scheduled interest payments (including, if applicable, special interest (or liquidated damages)) and default interest on the Topco Liabilities accrued and payable but not included (1) in accordance with the terms of the relevant Topco Finance Document (as at the date of the issue of the same or as amended in accordance with the terms of the Intercreditor Agreement and the other Debt Documents), additional amounts payable as a result of the tax gross-up provisions relating to Topco Liabilities and amounts in respect of currency indemnities in any Topco Finance Document, (3) made in pursuance of a debt buy-back program in relation to Topco Liabilities approved by the

Majority Senior Secured Creditors, Majority Super Senior Creditors and Majority Second Lien Creditors (each as defined below), or (4) amounts due under any syndication strategy letter relating to the Topco Finance Documents;

(ii) if, notwithstanding that a Topco Payment Stop Notice (as defined below) is outstanding and/or (other than in respect of paragraph (M) below) a Senior Secured Payment Default and/or a Second Lien Payment Default has occurred and is continuing and (if the Topco Borrower is a guarantor or borrower under any prior ranking debt facilities at such time, other than in respect of paragraph (K) below) irrespective of whether any creditors under prior ranking debt facilities have accelerated their debt, the payment is not prohibited to be made at such time by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or the payment is (without double counting any equivalent applicable basket in any Debt Document, but whether or not permitted by the Debt Documents): (A) of ongoing fees under any original fee letter relating to the Topco Finance Documents, (B) of commercially reasonable advisory and professional fees for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisors) and a Topco Agent's (as defined below) fees, costs and expenses not included in above not exceeding €1,500,000, but excluding the costs of any litigation against a Senior Secured Creditor or Second Lien Creditor (or their affiliates), (C) of any amounts owed to a Topco Agent (as defined below), (D) of costs necessary to protect, preserve or enforce security, (E) of any costs, commissions, taxes, premiums, amendment fees (including any OID and other consent and/or waiver fees) and any expenses incurred in respect of (or reasonably incidental to) the Topco Finance Documents (including in relation to any reporting or listing requirements under the Topco Finance Documents), (F) of any other amount not exceeding €2,500,000 in aggregate in any twelve month period, (G) of any amount of the Topco Liabilities which would have been payable but for the issue of a Topco Payment Stop Notice (which has since expired and no new Topco Payment Stop Notice is outstanding) which has been capitalized and added to the principal amount of the Topco Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Topco Liabilities during such period or any such amount described at (i)(C) above, provided that no such payment may be made if certain events of default have occurred in relation to the Senior Secured Liabilities or Second Lien Liabilities or would occur as a result of making such payment, (H) for as long as an event of default in relation to the Senior Secured Liabilities, Second Lien Liabilities or Topco Group Liabilities which is continuing, all or part of the Topco Liabilities being released or otherwise discharged solely in consideration for the issue of shares in any holding company of the Issuer (a "Debt for Equity Swap") provided that no cash or cash equivalent payment is made in respect of the Topco Liabilities, that it does not result in a Change of Control as defined in any prior ranking finance agreement or Topco Finance Document and that any Liabilities owed by a member of the Senior Secured Group to another member of the Senior Secured Group, to the Subordinated Creditors or to any other holding company of the Issuer that arise as a result of any such Debt for Equity Swap are subordinated to the Senior Secured Liabilities and Second Lien Liabilities pursuant to the Intercreditor Agreement and the Senior Secured Creditors and Second Lien Creditors are granted Transaction Security in respect of any of those Intra-Group Liabilities or Subordinated Liabilities owed by any member of the Senior Secured Group, (I) of non-cash interest made by way of capitalizing interest or issuing a non-cash-pay instrument which is subordinated to the Priority Secured Liabilities (as defined below) on the same terms as the Topco Liabilities, (J) if the payment is funded directly or indirectly with the proceeds of Topco Liabilities incurred under or pursuant to any Topco Finance Documents, (K) if the payment is made by the Topco Borrower in respect of its obligations under the Topco Finance Documents, and such payment is not directly or indirectly sourced from a member of the Senior Secured Group or such payment is funded from proceeds received by the Topco Borrower from the Senior Secured Group without breaching the terms of the Debt Documents, unless the Topco Borrower is a guarantor or borrower of any prior ranking debt facilities at such time and any such prior ranking debt facility has been accelerated or an Insolvency Event has occurred; (L) if the payment is of a principal amount of the Topco Liabilities and made in accordance with a provision in a Topco Finance Document relating to prepayment upon illegality or in relation to the prepayment of a single lender in the event of a tax gross-up, increased costs or other indemnity becoming payable and (M) if no Senior Secured Payment Default or Second Lien Payment Default has occurred and is continuing the payment is a payment of principal, interest or any other amounts made on or after the final maturity date of the relevant Topco Liabilities (provided that such maturity date is no earlier than that contained in the original form of the relevant Topco Finance Document as of the date of first issuance or borrowing (as the case may be) of the applicable Topco Liabilities); or

(iii) if the Majority Senior Secured Creditors, the Majority Super Senior Creditors and the Majority Second Lien Creditors (each as defined below) give prior consent to that payment being made.

On or after the Priority Discharge Date, the Debtors, the Topco Borrowers and the Third Party Security Providers may make payments in respect of the Topco Group Liabilities in accordance with the Topco Finance Documents and the Topco Proceeds Loan Agreement (as applicable).

Topco Liabilities Payment Block Provisions

A Topco Payment Stop Notice (as defined below) is outstanding from the date on which, following the occurrence of an event of default under any Senior Secured Liabilities (a "Senior Secured Event of Default") or an event of default under the Second Lien Liabilities (a "Second Lien Event of Default"), the Security Agent (acting on the instructions of the Majority Super Senior Creditors, the Majority Senior Secured Creditors or the Majority Second Lien Creditors (each as defined below) gave the instructions for the relevant stop notice to be delivered) (a "Topco Payment Stop Notice") to the agent under any Topco Facility (the "Topco Agent") and the trustee under any Topco Notes (the "Topco Notes Trustee") advising that the Senior Secured Event of Default or Second Lien Event of Default has occurred and is continuing and suspending payments by the Senior Secured Group of the Topco Liabilities, until the first to occur of:

(i) the date falling 179 days after delivery of that Topco Payment Stop Notice;

(ii) the date on which a default occurs for failure to pay principal at the original scheduled maturity of the relevant Topco Liabilities;

(iii) if a Topco Standstill Period (as defined below) commences after delivery of that Topco Payment Stop Notice, the date on which such standstill period expires;

(iv) the date on which the relevant Senior Secured Event of Default or Second Lien Event of Default has been remedied or waived;

(v) the date on which the Security Agent (acting on the instructions of whichever of the Majority Super Senior Creditors, Majority Senior Secured Creditors or Majority Second Lien Creditors (each as defined below) gave the instructions for the relevant stop notice to be delivered) delivers a notice to the Topco Borrower, the Topco Agent and the Topco Notes Trustee cancelling the payment stop notice;

(vi) the Priority Discharge Date; and

(vii) the date on which the Topco Creditors take any enforcement action that is permitted under the Intercreditor Agreement (see "—Permitted Topco Enforcement" below).

No Topco Payment Stop Notice may be delivered by the Security Agent in reliance on a particular Senior Secured Event of Default or a Second Lien Event of Default more than 45 days after the occurrence of the relevant event of default. No more than one Topco Payment Stop Notice may be served (i) with respect to the same event or set of circumstances or (ii) in any period of 360 days.

Any failure to make a payment due in respect of the Topco Group Liabilities as a result of the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default shall not prevent (i) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Topco Group Liabilities or (ii) the issue of an enforcement notice in respect of an event of default under the finance documents documenting any Topco Group Liabilities (a "Topco Enforcement Notice") on behalf of the Topco Creditors.

Payment Obligations and Capitalization of Interest Continue

Nothing in the Second Lien (as defined in the Intercreditor Agreement) or Topco payment block provisions will release any Debtor from the liability to make any payment (including of default interest, which shall continue to accrue) under the applicable Debt Documents even if its obligation to make such payment is restricted at any time. The accrual and capitalization of interest (if any) in accordance with the applicable Debt Documents shall continue notwithstanding the issue of a payment stop notice.

Cure of Payment Stop

If:

(i) at any time following the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default, that Topco Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default or Second Lien Payment Default ceases to be continuing; and

(ii) the relevant Debtor or Topco Borrower then promptly pays to the Topco Creditors or any party that has acceded to the Intercreditor Agreement as a creditor under a Topco Proceeds Loan (the "Topco Investors") (in respect of the Topco Proceeds Loan Liabilities only) an amount equal to any payments which had accrued under the Topco Finance Documents or the Topco Proceeds Loan Agreement (as applicable) and which would have been Permitted Topco Payments but for that Topco Payment Stop Notice or Senior Secured Payment Default or Second Lien Payment Default (as the case may be), then any event of default which may have occurred under a Topco Finance Document or Topco Proceeds Loan Agreement and any Topco Enforcement Notice which may have been issued as a result of that suspension of payments shall be deemed automatically waived without any further action being required.

Turnover

Subject to certain exceptions (including, but not limited to, a provision that provides that any Intra-Group Lender (as defined in the Intercreditor Agreement) in respect of Intra-Group Liabilities who is under a competing contractual requirement to turnover those proceeds to any trade creditor of the Topco Group (and that competing obligations is not prohibited by a Finance Document) is not required to turnover the applicable proceeds), the Intercreditor Agreement will provide that if, at any time prior to the latest to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date, the Second Lien Discharge Date and the first date on which all of the Topco Liabilities have been fully discharged (the "Topco Discharge Date") (the "Final Discharge Date") any creditor (other than a Senior Secured Creditor) receives or recovers from any Debtor, member of the Senior Secured Group or Third Party Security Provider:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents other than any payment or distribution which is either (x) not prohibited under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under "—Application of Proceeds";

(ii) any amount by way of set-off which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

(A) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents (I) after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, or (II) as a result of any other litigation or proceedings against a Debtor, member of the Senior Secured Group or any Third Party Security Provider (other than after the occurrence of an Insolvency Event (as defined below)); or

(B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event;

(iv) the proceeds of any enforcement of any of the Transaction Security except in accordance with the provisions set out below under "Application of Proceeds"; or

(v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any Debtor, any member of the Senior Secured Group or Third Party Security Provider which is not in accordance with the provisions set out below under "—Application of Proceeds" and which is made as a result of, or after, the occurrence of an Insolvency Event (as defined below) in respect of that Debtor, member of the Senior Secured Group or Third Party Security Provider,

that creditor will:

(i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise on behalf and for the account of) the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

A turnover mechanism on substantially the same terms applies in the event that, at any time prior to the Final Discharge Date, any Senior Secured Creditor receives or recovers from any Debtor, any member of the Senior Secured Group or Third Party Security Provider (x) any proceeds from the enforcement of security or from a Distressed Disposal (as defined below) or following an acceleration event or the enforcement of security, any proceeds arising from any of the charged property or (y) any other amounts which should otherwise be received or recovered by the Security Agent except in accordance with the provisions set out below under "—Application of Proceeds."

Effect of Insolvency Event

"Insolvency Event" is defined as, in relation to any Obligor, Material Subsidiary (each as defined in the Revolving Credit Facility Agreement) or Third Party Security Provider, (a) the passing of any resolution or making of an order for its insolvency, bankruptcy, winding up, dissolution, administration or reorganization, (b) a composition, compromise, assignment or arrangement with any class of creditors generally (other than any Secured Party), (c) a moratorium is declared in relation to any of its indebtedness, (d) the appointment of any liquidator, receiver, examiner, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or any of its assets, or (e) any analogous procedure or step is taken in any jurisdiction, other than (in each case), frivolous or vexatious proceedings, any proceedings or appointments which the Security Agent is satisfied will be withdrawn or will be unsuccessful or as permitted under any Revolving Credit Facility Agreement or in any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement or a Second Lien Facility Agreement, or otherwise not constituting a default.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event, any party entitled to receive a distribution out of the assets of an Obligor, Material Subsidiary or Third Party Security Provider (in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) shall direct the person responsible for the distribution to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. The Security Agent shall apply all such distributions paid to it in accordance with the provisions set out under "—Application of Proceeds" below.

To the extent that any member of the Senior Secured Group or Third Party Security Provider's liabilities to creditors are, with certain exceptions, discharged by way of set-off (mandatory or otherwise and in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) after the occurrence of an Insolvency Event, any creditor benefiting from such set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under "—Application of Proceeds" below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

Subject to certain netting and set-off rights under ancillary or cash management facilities, each creditor irrevocably authorizes the Security Agent to take Enforcement Action (as defined below), make demands, collect and receive distributions, file claims and take other actions necessary to make recovery after the occurrence of an Insolvency Event in relation to an Obligor, member of the Senior Secured Group or Third Party Security Provider. The creditors agree to do all things the Security Agent reasonably requests in order to give effect to these provisions.

Security Enforcement Regime

Enforcement of Security

The Intercreditor Agreement provides that the Security Agent may not take any action to enforce the Transaction Security or the Topco Independent Transaction Security without the prior written consent of an Instructing Group, Majority Second Lien Creditors or Majority Topco Creditors (as applicable) otherwise as specified in the provisions described below.

An "Instructing Group" means:

(i) prior to the later of the Senior Secured Discharge Date and the first date on which the Super Senior Liabilities have been fully and finally discharged (the "Super Senior Discharge Date"), Senior Secured Creditors (other than the Super Senior Creditors) representing more than 50% of the Senior Secured Liabilities (other than the Super Senior Liabilities) (the "Majority Senior Secured Creditors"), and Super Senior Creditors representing more than 50% of the Super Senior Liabilities (the "Majority Super Senior Creditors") save that, for instructions relating to enforcement, it shall mean the group of Secured Creditors entitled to give instructions in accordance with the enforcement regime described under "—Enforcement of Transaction Security" below;

(ii) on or after the later of the Senior Secured Discharge Date and the Super Senior Discharge Date but before the Priority Discharge Date, Second Lien Creditors representing more than 50% of the Second Lien Liabilities (the "Majority Second Lien Creditors"); and

(iii) on or after the Priority Discharge Date but before the Topco Discharge Date, Topco Creditors representing more than 50% of the Topco Liabilities (the "Majority Topco Creditors").

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise in accordance with the provisions described in this paragraph. If the Transaction Security has become enforceable, if either the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to issue enforcement instructions they shall deliver a copy of those instructions (an "Initial Enforcement Notice") to the Security Agent and to the other agents, trustees and hedge counterparties.

The Security Agent will act in accordance with any instructions (provided they are consistent with the Enforcement Principles (as defined below)) received from (i) the Majority Senior Secured Creditors, (ii) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the Initial Enforcement Notice or the Super Senior Discharge Date has not occurred within six months of the Initial Enforcement Notice, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iii) if an Insolvency Event (other than an Insolvency Event directly caused by enforcement action taken at the request of a Super Senior Creditor) is continuing, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iv) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and the Majority Super Senior Creditors determine in good faith that a delay could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce the Transaction Security or on the realization of proceeds and the Majority Super Senior Creditors deliver instructions before the Security Agent has received any instructions from the Majority Senior Secured Creditors, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (v) if, prior to the later of the Senior Secured Discharge Date and the Super Senior Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors (as applicable) have not given instructions or they have instructed the Security Agent (A) not to enforce or cease enforcing or (B) required any Debtor or Third Party Security Provider to make a Distressed Disposal, any agent or trustee in relation to the Second Lien Liabilities (the "Second Lien Agent") (acting on the instructions of the Majority Second Lien Creditors) where the rights of the Second Lien Creditors to enforce have arisen under the Intercreditor Agreement, or (vi) if, prior to the Priority Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors or the Majority Second Lien Creditors (as applicable) have not given instructions or they have instructed the Security Agent (A) not to enforce or cease enforcing or (B) required any Debtor or Third Party Security Provider to make a Distressed Disposal an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors).

Notwithstanding the preceding paragraph, if at any time the agents or representatives of the Second Lien Creditors or Topco Creditors then entitled to give the Security Agent instructions either give such instruction or indicate any intention to give such instruction, then the Majority Senior Secured Creditors or Majority Super Senior Creditors to the extent that such group is entitled to give enforcement instructions as described in the paragraph above may give instructions to the Security Agent to enforce the Transaction Security as they see fit and the Security Agent shall act on such instructions.

"Enforcement Principles" means certain requirements as to the manner of enforcement, including that (i) to the extent consistent with a prompt and expeditious realization of value, the method of enforcement chosen should maximize the value realized from such enforcement, (ii) certain proceeds must be received in cash and (iii) enforcement in relation to assets over €5,000,000 or shares if not carried out by way of a public auction or other competitive sales process, shall (if the Security Agent is request to do so by the Majority Super Senior Creditors or Majority Senior Secured Creditors) benefit from a fairness opinion from an investment bank, firm of accountants or third party financial adviser.

Enforcement—Topco Independent Transaction Security

Subject to the Topco Independent Transaction Security having become enforceable in accordance with its terms, an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors) may give or refrain giving, instructions to the Security Agent to enforce or refrain from enforcing the Topco Independent Transaction Security as they see fit.

Manner of Enforcement

If the Transaction Security or Topco Independent Transaction Security is being enforced in accordance with any of the above paragraphs, the Security Agent shall enforce the relevant Transaction Security or Topco Independent Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor or Third Party Security Provider to be appointed by the Security Agent) as any persons entitled at any time under the above provisions shall instruct it or, in the absence of any such instructions, as the Security Agent sees fit (which may include taking no action).

No Secured Party shall have any independent power to enforce, or to have recourse to enforce, any Transaction Security or Topco Independent Transaction Security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Security Held by Other Creditors

If any Transaction Security or Topco Independent Transaction Security is held by a creditor other than the Security Agent, then creditors may only enforce that Transaction Security or Topco Independent Transaction Security in accordance with instructions given by instructing creditors in accordance with the paragraphs above.

Enforcement Regime

Restrictions on Enforcement by Second Lien Creditors

Certain of the features set out below with respect to Topco Creditors may apply to the Second Lien Creditors, with appropriate modifications for the relative position in the capital structure.

Restrictions on Enforcement by Topco Creditors

Until the Priority Discharge Date, except with the prior consent of or as required by an Instructing Group, (i) no Topco Creditor or Topco Investor shall direct the Security Agent to enforce, or otherwise require the enforcement of any Transaction Security (including the crystallization of any floating charge forming part of the Transaction Security), (ii) no Topco Creditor nor Topco Investor shall take or require the taking of any Enforcement Action (as defined below) against any member of the Senior Secured Group or Third Party Security Provider (other than in each case (and to the extent not restricted by (i) above and (iii) below) against a Topco Borrower) in relation to the Topco Group Liabilities, and (iii) no Topco Creditor nor Topco Investor nor Topco Borrower shall take or require the taking of any Enforcement Action (as defined below) in relation to Topco Proceeds Loan Liabilities, except in the case of each of (i) through (iii) as set out under "—Permitted Topco Enforcement" below.

Other than as restricted by (i) and (iii) in the paragraph above, any Topco Creditor may at any time take any Enforcement Action (as defined below) against any Topco Investor, Topco Borrower or any Topco Guarantor (as defined in the Intercreditor Agreement) that is not a member of the Senior Secured Group, in each case in accordance with the terms of the Topco Finance Documents.

"Enforcement Action" is defined as:

(i) (A) in relation to any liabilities (other than unsecured liabilities) the acceleration, putting on demand, making of a demand, requiring a member of the Topco Group or Third Party Security Provider to acquire such liabilities (subject to certain exceptions), exercising of rights of set-off (other than certain netting under hedging agreements or as otherwise permitted under the Debt Documents) or (B) suing or commencing proceedings in relation to such liabilities;

(ii) premature termination or close-out of a hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(iii) the taking of steps to enforce or require the enforcement of the Transaction Security or, as the case may be, Topco Independent Transaction Security (including the crystallization of any floating charge) as a result of an acceleration event;

(iv) entering into any composition, compromise, assignment or similar arrangement with any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees in respect of liabilities owed to a creditor under the Intercreditor Agreement (other than any action permitted under the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant finance documents); or

(v) petitioning, applying, voting for or taking steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganization of any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees in respect of liabilities owed to a creditor under the Intercreditor Agreement or any of such Third Party Security Provider or member of the Topco Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third Party Security Provider or member of the Topco Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action, (A) suing, commencing proceedings or taking any action referred to in paragraph (i)(B) and (v) where necessary to preserve a claim, (B) discussions between or proposals made by the Priority Secured Parties with respect to enforcement of the Transaction Security in accordance with the Intercreditor Agreement, (C) bringing proceedings in connection with a securities violation, securities or listing regulations or common law fraud or to restrain any breach of the Debt Documents or for specific performance with no claims for damages, (D) proceedings brought by a Secured Party to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages, (E) demands made by Intra-Group Creditors (as defined in the Intercreditor Agreement) or Subordinated Creditors to the extent they relate to payments permitted under the Intercreditor Agreement or the release of the liabilities owed to such creditors in return for the issue of shares in the relevant member of the Senior Secured Group provided that the ownership interest of the member of the Senior Secured Group is not diluted and any relevant shares remain subject to the same Transaction Security as existed prior to the issue, and (F) proceedings brought by an ancillary lender, a lender of Cash Management Facility Liabilities (a "Cash Management Facility Lender"), hedge counterparty, issuing bank, or agent or trustee in respect of the Second Lien Liabilities or Topco Liabilities to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages or in connection with any securities violation, securities or listing regulations or common law fraud.

Permitted Topco Enforcement

The restrictions set out above under "—Restrictions on Enforcement by Topco Creditors" will not apply in respect of the Topco Group Liabilities, Topco Proceeds Loan Liabilities, or any Transaction Security securing the Topco Group Liabilities, if:

(i) an event of default under a Topco Finance Document or a Topco Proceeds Loan Agreement (the "Relevant Topco Default") is continuing;

(ii) all agents or trustees in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, and Second Lien Liabilities have received a notice of the Relevant Topco Default specifying the event or circumstance in relation to the Relevant Topco Default from the Topco Agent, the Topco Notes Trustee or the Topco Borrower in relation to the relevant Topco Group Liabilities;

(iii) a Topco Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Topco Default is continuing at the end of that Topco Standstill Period.

Promptly upon becoming aware of an event of default under a Topco Finance Document, a Topco Notes Trustee, Topco Agent or Topco Investor (as the case may be) may give a Topco Enforcement Notice notifying any agent under a Permitted Senior Secured Facilities Agreement (the "Senior Agent"), senior secured notes trustee, the Second Lien Agent and any second lien notes trustee of the existence of such event of default.

"Topco Standstill Period" means the period beginning on the date (the "Topco Standstill Start Date") a Topco Enforcement Notice is served in respect of such a Relevant Topco Default and ending on the earliest to occur of:

(i) the date falling 179 days after the Topco Standstill Start Date (the "Topco Standstill Period");

(ii) the date the Priority Secured Parties take any Enforcement Action in relation to a particular Debtor or Third Party Security Provider, provided that:

(A) if a Topco Standstill Period ends pursuant to this paragraph (ii), the Topco Creditors or a Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may only take the same Enforcement Action in relation to a Topco Guarantor as the Enforcement Action taken by the Priority Secured Parties against such Topco Guarantor and not against any other member of the Senior Secured Group or Third Party Security Provider; and

(B) Enforcement Action for the purpose of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;

(iii) the date of an Insolvency Event (as defined above) in relation to a particular Topco Guarantor against whom Enforcement Action is to be taken; and

(iv) the expiry of any other Topco Standstill Period outstanding at the date such first mentioned Topco Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy).

The Topco Creditors or Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may take Enforcement Action under the provisions described in this section (Permitted Topco Enforcement) in relation to a Relevant Topco Default even if, at the end of any relevant Topco Standstill Period or at any later time, a further Topco Standstill Period has begun as a result of any other event of default in respect of the Topco Liabilities.

Option to Purchase: Topco Creditors

Following acceleration or the enforcement of Transaction Security upon acceleration under any Senior Secured Creditor Liabilities, Second Lien Liabilities or Topco Liabilities, Topco Creditors may elect to purchase the Senior Lender Liabilities, Super Senior Lender Liabilities (as defined in the Intercreditor Agreement), Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Topco Creditors must also elect for the counterparties to hedging obligations to transfer their hedging obligations to holders in exchange (subject to specified conditions) for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

Non-Distressed Disposals

The Security Agent (on behalf of itself and the other Secured Parties) and each other person party to a Transaction Security document or a Topco Independent Transaction Security document agrees that it shall (and is irrevocably authorized, instructed and obliged to do so without further consent, agreement or instruction from any creditor, other Secured Party or Debtor) promptly following receipt of a written request from the Issuer:

(i) release (or procure the release) from the Transaction Security:

(A) any security (and/or other claim relating to a Debt Document) over any asset which the Issuer has confirmed is the subject of:

(1) a disposal not prohibited under the Finance Documents or where any applicable release and/ or consent has been obtained under the applicable Finance Document including a disposal to a member of the Senior Secured Group but without prejudice to any obligation of any member of the Senior Secured Group in a Finance Document to provide replacement security; and

(2) any other transaction not prohibited by the Finance Documents pursuant to which that asset will cease to be held or owned by a member of the Senior Secured Group,

in each case where such disposal is not a Distressed Disposal (as defined below) (in each case, a "Non-Distressed Disposal");

(B) any security (and/or other claim relating to a Debt Document) over any document or other agreement requested in order for any member of the Senior Secured Group to the extent that the Issuer has confirmed that such action is not prohibited by any Finance Document to effect any amendment or waiver or otherwise exercise any rights, comply with any obligation or take any action in relation to such document or agreement;

(C) any security (and/or other claim relating to a Debt Document) over any asset of any member of the Senior Secured Group which has ceased or will cease to be a Debtor or guarantor to the extent that the Issuer has confirmed that such ceasing to be a Debtor or guarantor in accordance with the terms of each Finance Document or the Agreed Security Principles (as defined in the Revolving Credit Facility Agreement); and

(D) any security (and/or other claim relating to a Debt Document) over any other asset to the extent that the Issuer has confirmed that such security is not required to be given or such release in accordance with the terms of any Finance Document or the Agreed Security Principles (as defined in the Revolving Credit Facility Agreement); and

(ii) in the case of a disposal of share or ownership interest in a Debtor, other member of the Senior Secured Group or any holding company of any Debtor or any other transaction pursuant to which a Debtor, other member of the Senior Secured Group or any holding company of any Debtor will cease to be a member of the Topco Group or a Debtor, release or procure the release of that Debtor or other member of the Senior Secured Group and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the Transaction Security and the Secured Debt Documents (including any claim relating to a Debt Document).

When making any request for a release pursuant to paragraphs (i)(A) or (i)(B) above, the Issuer shall confirm in writing to the Security Agent, that the relevant disposal or other action is not prohibited as at the date of completion of such release or, at the option of the Issuer, on the date that the definitive agreement for such disposal or similar transaction is entered into.

When making any request for a release pursuant to paragraph (i)(C) or (i)(D) above, the Issuer shall confirm in writing to the Security Agent, that such security is not required to be given or the relevant release or cessation is otherwise in accordance with the terms of the Finance Documents or the Agreed Security Principles (as defined in the Revolving Credit Facility Agreement).

In the case of a disposal of shares or other ownership interests in a Debtor, member of the Senior Secured Group or holding company of any Debtor or any other transaction pursuant to which a Debtor, member of the Senior Secured Group or holding company of any Debtor will cease to be a member of Topco Group or a Debtor, to the extent the Issuer has confirmed to the Security Agent that it is not prohibited by the Finance Documents, if such member of the Topco Group or a Debtor is a borrower, issuer or primary debtor under any Debt Document, such person shall have the right to voluntarily prepay all Liabilities outstanding under any Debt Document.

Distressed Disposals

"Distressed Disposal" means a disposal of an asset or shares of, or other financial securities issued by a member of the Senior Secured Group or, in the case of a Third Party Security Provider, any Transaction Security which is being effected (a) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable as a result of an acceleration event, (b) by enforcement of the Transaction Security as a result of an acceleration event, or (c) after the occurrence of an acceleration event or the enforcement of security as a result of an acceleration event, by a Debtor or Third Party Security Provider to a person or persons which is not a member of the Topco Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor, Third Party Security Provider and the Issuer and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement, Third Party Security Provider or Debtor):

(i) to release the Transaction Security or any other claim over that asset, 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 necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing, guarantee or other liabilities, (B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing, guarantee or other liabilities, (B) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets and (C) any other claim of an intra- group lender, a Topco Investor, Subordinated Creditor or a Debtor over that holding company's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed by such Debtor or holding company or any of their subsidiaries to creditors or other Debtors:

  (A) if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities (the "Transferee") will be treated as a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities, provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement; and

  (B) if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Secured Parties and all or part of any other liabilities, on behalf of, in each case, the relevant creditors, Third Party Security Providers and Debtors;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of a subsidiary of that Disposed Entity in respect of the intra-group liabilities or liabilities owed to any Debtor, to execute and deliver or enter into any agreement to:

  (A) transfer all or part of the obligations in respect of those intra-group liabilities or liabilities to any Debtor on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

  (B) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities, liabilities owed to Debtors on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or liabilities owed to Debtors are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities as described above) shall be paid to the Security Agent for application in accordance with the provisions set out under "—Application of Proceeds" below as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if that disposal of liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (although the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

If a Distressed Disposal is being effected at a time when the Majority Second Lien Creditors are entitled to give and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantee liabilities owed to any Senior Secured Creditor unless those borrowing liabilities or guarantee liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) following that release.

If a Distressed Disposal is being effected at a time when the Majority Topco Creditors are entitled to give, and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantee liabilities owed to any Senior Secured Creditor or any Second Lien Creditor unless those borrowing liabilities or guarantee liabilities and any other Senior Secured Liabilities or Second Lien Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) following that release.

Where borrowing liabilities in respect of any Senior Secured Liabilities, Second Lien Liabilities, Senior Secured Notes Proceeds Loan Liabilities, Topco Liabilities or unsecured liabilities would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may elect to have those borrowing liabilities transferred to a holding company of the Issuer, in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing liabilities.

If before the Second Lien Discharge Date or the Topco Discharge Date, a Distressed Disposal is being effected such that the Second Lien Liabilities or the Topco Liabilities and Transaction Security over shares in a borrower or issuer of, or over assets of a borrower or issuer of, Second Lien Liabilities or Topco Liabilities will be released pursuant to the Intercreditor Agreement, it is a further condition to the release that either:

(i) the Second Lien Agent, Second Lien Notes Trustee (as defined in the Intercreditor Agreement), Topco Agent and Topco Notes Trustee (as applicable) have approved the release; or

(ii) where shares or assets of a borrower, issuer or guarantor in respect of Second Lien Liabilities or Topco Guarantor (as defined in the Intercreditor Agreement) are sold:

   (A) the proceeds of such sale or disposal are in cash (or substantially in cash) and/or other marketable securities or, if the proceeds of such sale or disposal are not in cash (or substantially in cash) and/ or other marketable securities, a valuation opinion has been obtained in accordance with the provisions set out below; and

   (B) all claims of the Secured Parties (other than in relation to performance bonds, guarantees or similar instruments issued by a Secured Creditor on behalf of a member of the Senior Secured Group) against a member of the Senior Secured Group (if any), all of whose shares (other than any minority interest not owned by members of the Senior Secured Group) are pledged in favor of the Priority Secured Parties 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 are not assumed by the purchaser or one of its affiliates), and all Transaction Security, Topco Independent Transaction Security or other security in favor of the Secured Parties in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

(I) where the Senior Secured Creditors constitute the Instructing Group, the Senior Agent and any senior secured notes trustee (i) determine, acting reasonably and in good faith, that the Senior Secured Creditors will recover more than if such claim was released or discharged but nevertheless less than the outstanding Senior Secured Liabilities, and (ii) serve a notice on the Security Agent notifying the Security Agent of the same;

(II) where the Second Lien Creditors constitute the Instructing Group, the Second Lien Agent and any second lien notes trustee (i) determine acting reasonably and in good faith that the Priority Secured Parties (collectively) will recover more than if such claim was released or discharged but nevertheless less than the outstanding amount of the liabilities owed to the Priority Secured Parties (the "Priority Secured Liabilities"), and (ii) serve a notice on the Security Agent notifying the Security Agent of the same; and

(III) where the Topco Creditors constitute the Instructing Group, the Topco Agent and the Topco Notes Trustee (i) determine acting reasonably and in good faith that the Priority Secured Parties and the Topco Creditors (collectively) will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Priority Secured Liabilities and the Topco Liabilities (collectively), and (ii) serve a notice on the Security Agent notifying the Security Agent of the same,

in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser) and the consideration for such sale or transfer may be in the form of non-cash consideration by way of the Senior Secured Creditors, Second Lien Creditors or Topco Creditors (whichever constitutes the Instructing Group) bidding by an appropriate mechanic the Senior Secured Liabilities, Second Lien Liabilities or Topco Liabilities (as applicable) such that the relevant liabilities would on completion be discharged to the extent of an amount equal to the amount of the offer made by the relevant creditors; and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction or other competitive sale process run in accordance with the advice of a reputable, independent investment bank, firm of accountants or third party professional firm with a view to obtaining the best price reasonably obtainable taking into account all relevant circumstances and in which creditors under the Second Lien Liabilities and Topco Liabilities are entitled to participate as prospective buyers and/or financiers; or

(II) where a reputable, independent investment bank, firm of accountants or third party professional firm which is regularly engaged in providing such valuations has delivered an opinion (including an enterprise valuation) in respect of such sale or disposal that the amount is fair from a financial point of view, taking into account all relevant circumstances including the method of enforcement, provided that the liability of such investment bank, firm of accountants or third party professional firm in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Application of Proceeds

Order of Application—Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement and to the proviso described below, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document (other than amounts in respect of Topco Independent Transaction Security or any other security which is not Transaction Security or any guarantees provided by any holding company of Topco or any subsidiary of any holding company of the Issuer (other than a member of the Senior Secured Group) in respect of any Topco

Liabilities or Topco Proceeds Loan Liabilities) or in connection with the realization or enforcement of all or any part of the Transaction Security shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(i) in discharging any Agent Liabilities relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities and any sums owed to the Security Agent and any receiver or delegate on a pari passu basis;

(ii) in payment of all costs and expenses incurred by any agent or Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) for application towards the discharge of:

(A) the Super Senior Lender Liabilities and liabilities to arrangers and agents thereof; and

(B) Hedging Liabilities that have been designated by the Issuer as ranking alongside the Super Senior Lender Liabilities (the "Super Senior Hedging Liabilities") (on a *pro rata* basis between the Super Senior Hedging Liabilities of each hedge counterparty),

on a *pro rata* basis and ranking pari passu between paragraphs (A) and (B) above, or, if the Super Senior Discharge Date has occurred, for application towards the discharge of:

(A) the Senior Lender Liabilities and liabilities to arrangers thereof;

(B) the Senior Secured Notes Liabilities;

(C) the Cash Management Facility Liabilities; and

(D) the Hedging Liabilities which are not Super Senior Hedging Liabilities, on a pro rata basis and ranking pari passu between paragraphs (A), (B), (C) and (D) above;

(iv) for application towards the discharge of (x) the Second Lien Lender Liabilities and liabilities to arrangers thereof, and (y) the Second Lien Notes Liabilities, on a pro rata basis and ranking pari passu between themselves;

(v) solely to the extent such proceeds are from the realization or enforcement of the Topco Shared Security and any guarantees provided by a Topco Guarantor that is a member of the Senior Secured Group or Third Party Security Provider in respect of the Topco Liabilities, for application towards the discharge of (A) the Topco Facility Liabilities and liabilities to arrangers thereof, and (B) the Topco Notes Liabilities, on a pro rata basis and ranking pari passu between themselves;

(vi) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Debt Document relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(vii) the balance, if any, in payment to the relevant Debtor,

provided that, all amounts from time to time received or recovered by the Security Agent from or in respect of a Topco Borrower pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of the Transaction Security or Topco Independent Transaction Security) shall be held by the Security Agent on trust to apply at any time as the Security Agent sees fit, in the following order of priority:

(A) in accordance with paragraph (i) above;

(B) in accordance with paragraph (ii) above;

(C) in accordance with paragraphs (iii), (iv) and (v) above (in each case only to the extent there are liabilities due from the relevant Topco Borrower to such creditors);

(D) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Secured Debt Document, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(E) the balance, if any, in payment to the relevant Debtor.

Order of Application—Topco Independent Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Topco Document in connection with the realization or enforcement of Topco Independent Transaction Security or any guarantees provided by a Topco Guarantor (other than a member of the Senior Secured Group) (the "Topco Recoveries") shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(i) in discharging any Agent Liabilities in respect of the Topco Liabilities (to the extent related to such Topco Recoveries), the Security Agent and any receiver or delegate, on a pari passu basis;

(ii) in payment of all costs and expenses incurred by any agent or Topco Creditor in connection with any realization or enforcement of the Topco Independent Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) for application towards the discharge of:

(A) the Topco Facility Liabilities; and

(B) the Topco Notes Liabilities, on a pro rata basis and ranking pari passu between paragraphs (A) and (B) above;

(iv) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability in respect of the Secured Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(v) the balance, if any, in payment to the relevant Debtor.

Equalization

The Intercreditor Agreement will provide that if, for any reason, any liabilities relating to Super Senior Liabilities, Senior Secured Liabilities, Second Lien Liabilities or Topco Liabilities remain unpaid after the first date on which certain types of Enforcement Action are taken (the "Enforcement Date") and the resulting losses are not borne by the creditors in any given specified class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that specified class at the Enforcement Date, the relevant class of creditors will make such payments amongst themselves as the Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Required Consents

The Intercreditor Agreement will provide that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Issuer, the agents and trustees for the Secured Parties, and the Security Agent, provided that, to the extent that an amendment, waiver or consent only affects one class of creditors, and such amendment, waiver or consent could not reasonably be expected materially or adversely to affect the interests of the other classes of creditors, only written agreement from the agent or trustee acting on behalf of the affected class shall be required.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under "—Application of Proceeds" above and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities, (i) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), (ii) each Hedge Counterparty (as defined in the Intercreditor Agreement) (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Hedge Counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and (iii) the Issuer.

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized to relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

Amendments and Waivers: Transaction Security Documents

Subject to certain exceptions under the Intercreditor Agreement (as described below), the Security Agent may, if the Issuer consents, amend the terms of, release or waive any of the requirements of or grant consents under, any document creating Transaction Security or Topco Independent Transaction Security which shall be binding on each party and the prior consent of the Secured Parties is required to authorize any amendment, release or waiver of, or consent under, any document creating Transaction Security which would adversely affect the nature or scope of the assets subject to Transaction Security or the manner in which the proceeds of enforcement of the Transaction Security or Topco Independent Transaction Security are distributed.

Exceptions

Subject to the paragraph below, an amendment, waiver or consent which relates to the rights or obligations which are personal to an agent, an arranger or the Security Agent in its capacity as such (including, without limitation, any ability of that Security Agent to act in its discretion under the Intercreditor Agreement) may not be effected without the consent of that agent, arranger or, as the case may be, Security Agent.

The preceding paragraph and the first paragraph above under "—Amendments and Waivers: Transaction Security Documents" are subject to certain exceptions under the Intercreditor Agreement, relating in particular to (i) any release of Transaction Security, claim or liabilities, or (ii) to any amendment waiver or consent, which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement relating to the incurrence of additional or refinancing debt or the provisions set out under "—New Debt Financings," "—Non-Distressed Disposals" and "—Distressed Disposals" above. Any release, amendment, waiver or consent effected in accordance with the relevant provisions of the Debt Documents relating to such matters can be effected solely by the Issuer and the Security Agent.

Provisions Following an IPO

Following an initial public offering of a member of the Senior Secured 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 Senior Secured Group (and all related provisions) will now refer to the member of the Senior Secured Group or holding company of the Issuer who will issue shares or whose shares are to be sold pursuant to such IPO (the "IPO Pushdown Entity," and if any Topco Notes are not refinanced in full on or before the date of such IPO, the IPO Pushdown Entity shall be any holding company of the Issuer which is the issuer or borrower of any Topco Liabilities) and its Restricted Subsidiaries, (ii) all financial ratio calculations shall be made excluding any holding company 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 released from all obligations under the Debt Documents (including any Transaction Security) and each Subordinated Creditor, Third Party Security Provider, Investor (as defined in the Revolving Credit Facility Agreement) or Topco Independent Obligor will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity.

Subject to the consent of the majority lenders under and as defined in the Senior Lender Liabilities, noteholders representing more than 50% of any Senior Secured Notes Liabilities, the majority lenders under and as defined in any Second Lien Facility Agreement, noteholders representing more than 50% of any Second Lien Notes Liabilities, the majority lenders under and as defined in any Topco Facility and noteholders representing more than 50% of any Topco Notes Liabilities (following the relevant IPO), each subsidiary of the IPO Pushdown

Entity shall also be released from all obligations as Debtor and guarantor under the Debt Documents and from the Transaction Security (other than, in each case, borrowing liabilities). Each party to the Intercreditor Agreement shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate such matters.

Agreement to Override

Unless expressly stated otherwise therein, the Intercreditor Agreement overrides anything in any other Debt Documents to the contrary.

Working Capital Facilities

Fedrigoni and certain subsidiaries are parties to various uncommitted bilateral facilities and overdraft lines with local banks pursuant to which certain short-term working capital, trade credit, export finance and general corporate purposes facilities have been obtained to finance operations and liquidity needs (the "Working Capital Facilities"). The Working Capital Facilities are unsecured obligations of Fedrigoni and the relevant subsidiaries. These unsecured and uncommitted credit facilities generally relate to overdraft protection and trade credit facilities, and we utilize these lines from time to time as part of our cash management. Some of these credit facilities may also provide for the ability of the relevant company to request the issuance of letters of credit (linee di firma) by the relevant financial institution in connection with our day-to-day operations. The lenders under these agreements can withdraw their commitments to provide us with the Working Capital Facilities at any time.

As of March 31, 2018, after giving pro forma effect to the Transactions, €121.1 million was outstanding under the Working Capital Facilities. We expect to continue to make use of Working Capital Facilities or similar facilities following the Transactions on an opportunistic basis to fund working capital and other purposes.

Fedrigoni Funding Loan

The Issuer, as lender, has entered into an intercompany loan agreement, governed by Italian law, with Fedrigoni, as borrower, for an amount equal to €74,706,248.10 million (the "Fedrigoni Funding Loan"). The amount borrowed under the Fedrigoni Funding Loan has been used by Fedrigoni, together with cash on balance sheet, to repay certain of the Fedrigoni Existing Debt. Interest on the Fedrigoni Funding Loan accrues at a rate equal to EURIBOR plus 5%. The maturity date of the Fedrigoni Funding Loan is the later of (a) the date falling on the day before the date of full repayment, prepayment or conversion into long term financing of the Fedrigoni Bridge Facilities Agreement and (b) the date falling on the day before the full repayment, prepayment, repurchase and/or redemption of the Existing Notes. The Fedrigoni Funding Loan does not provide for any undertakings or representations by the parties.

The Issuer's interest in the receivables under the Fedrigoni Funding Loan are assigned by way of security on a first-ranking basis as part of the collateral securing the Existing Notes and the Revolving Credit Facility. The Intercreditor Agreement will provide that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive proceeds from the enforcement of the security over the Fedrigoni Funding Loan in priority to the holders of the Existing Notes.

See also "*Risk Factors—Risks Related to Our Capital Structure—The principal amount of the Funding Loans forming part of the Collateral may be less than anticipated as a result of prepayments of such loan prior to the maturity date of the Existing Notes and the New Notes*."

Bianco Funding Loan

On or about the Cordenons Acquisition Closing Date, the Issuer, as lender, entered into an intercompany loan agreement, governed by Italian law, with Bianco Bidco, as borrower, for an amount equal to the gross proceeds of the New Notes, net of fees and expenses paid by the Issuer (the "Bianco Funding Loan"). The amount borrowed under the Bianco Funding Loan was used by Bianco Bidco, together with cash on balance sheet, to purchase all of the issued and outstanding share capital of Cordenons and grant a funding to Cordenons to allow the latter to repay its existing indebtedness (the Cordenons Existing Debt) and pay related fees and expenses. Maturity and interest on the Bianco Funding Loan are aligned with those of the New Notes.

The Bianco Funding Loan does not provide for any undertakings or representations by the parties. The Issuer's interest in the receivables under the Bianco Funding Loan are assigned by way of security on a first-ranking basis as part of the collateral securing the New Notes and the Revolving Credit Facility. The Intercreditor Agreement will provide that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive proceeds from the enforcement of the security over the Bianco Funding Loan in priority to the holders of the New Notes.

See also "Risk Factors—Risks Related to Our Capital Structure—The principal amount of the Funding Loans forming part of the Collateral may be less than anticipated as a result of prepayments of such loan prior to the maturity date of the Existing Notes and the New Notes."

Cordenons Funding Loan

On or about the Cordenons Acquisition Closing Date, Bianco Bidco, as lender, entered into an intercompany loan agreement, governed by Italian law, with Cordenons, as borrower, for an amount equal to the Cordenons Existing Debt (the "Cordenons Funding Loan"). The amount borrowed under the Cordenons Funding Loan will be used by Cordenons to repay, no later than 180 days from the Cordenons Acquisition Closing Date, the Cordenons Existing Debt and pay related fees and expenses. Maturity and interest on the Cordenons Funding Loan are aligned with the Bianco Funding Loan.

The Cordenons Funding Loan does not provide for any undertakings or representations by the parties. Bianco Bidco's interest in the receivables under the Cordenons Funding Loan are assigned by way of security on a first-ranking basis as part of the Collateral securing the New Notes and the Revolving Credit Facility. The Intercreditor Agreement will provide that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive proceeds from the enforcement of the security over the Cordenons Funding Loan in priority to the holders of the New Notes.

As a consequence of the Cordenons Post-Completion Merger, the Cordenons Funding Loan will be terminated and the security interests over Bianco Bidco's interest in the receivables in respect of the Cordenons Funding Loan will cease to be effective.

See also "*Risk Factors—Risks Related to Our Capital Structure—The principal amount of the Funding Loans forming part of the Collateral may be less than anticipated as a result of prepayments of such loan prior to the maturity date of the Existing Notes and the New Notes*."

Finance Leases

Fedrigoni Deutschland GmbH ("Lessee"), a subsidiary of the Issuer, entered into a leasing agreement with Canopos GmbH & Co. Immobilien KG ("Lessor"), governed by German law, concerning the lease of certain premises located in Oberchaching, Germany ("Leased Premises") on October 22, 2009 ("Leasing Agreement"). The Leasing Agreement forms an integral part of a lease engagement contract between the Lessor, the Lessee and VR-Bauregie GmbH ("Lease Engagement Contract") pursuant to which VR-Bauregie GmbH undertakes the construction of, inter alia, warehouses on the Leased Premises for the use by the Lessee.

The Leasing Agreement provides for a fixed term of 30 years with no ordinary termination right but market- standard extraordinary termination rights for both parties including, inter alia, non-compliance with material obligations or payment default. We expect that the Leasing Agreement will remain outstanding following the Transactions. The monthly leasing rates under the Leasing Agreement are automatically decreased on a sliding scale. In addition, Lessee has granted a tenant loan to Lessor with a term of 20 years which will be repaid by the Lessor over a period of the following ten years. Cartiere Fedrigoni & C.S.p. assumed an unconditional and irrevocable guarantee for the obligations of Lessee under the Lease Engagement Contract.

Furthermore, Lessee is granted a right to purchase the Leased Premises; such right must be exercised in the period of 18 to 12 months prior to the end of year 10, 15 or 20 of the Leasing Agreement. In turn, Lessor is granted the right to sell the Leased Premises to Lessee; this right also must be exercised in a period of 18 to 12 months prior to the end of the Leasing Agreement.

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 Fabric (BC) S.p.A. prior to the Fedrigoni Post-Completion Merger and MergerCo (as defined below) subsequent thereto.

The Issuer is offering (the "*Offering*") €125.0 million in aggregate principal amount of its Senior Secured Floating Rate Notes due 2024 (the "*New Notes*"). The New Notes will be issued under the Existing Notes Indenture and will form a single series with the Existing Notes for all purposes under the Existing Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase and are expected to be fungible for U.S. federal income tax purposes with the Existing Notes. The New Notes will have the same ISINs and common codes as the Existing Notes.

The gross proceeds of the New Notes, together with cash on hand at the Issuer, will be used to repay amounts outstanding under the Cordenons Bridge Facility, including accrued interest thereon. See "Use of Proceeds." The proceeds from the Cordenons Bridge Facility, which were drawn on July 10, 2018, were or will be used, together with cash on hand, to finance the Cordenons Acquisition (via the Bianco Funding Loan), to repay the Cordenons Existing Debt no later than 180 days from the Cordenons Acquisition Closing Date (via the Cordenons Funding Loan) and to pay fees and expenses in connection therewith. See "*Summary—The Transactions.*"

Upon the initial issuance of the New Notes on the New Notes Issue Date, the New Notes will be only obligations of the Issuer and will not be guaranteed by Fedrigoni, Bianco Bidco or any of their Subsidiaries. Subject to the Agreed Security Principles (as defined below), Arconvert S.A. and Bianco Bidco (together, the "Post-Merger Guarantors") are expected to enter into supplemental indentures to become parties to the Indenture and guarantee the New Notes on a senior secured, joint and several basis on the earlier of (i) the date on which the relevant Guarantor provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date. If the Fedrigoni Post-Completion Merger has not occurred by the Cut-Off Date (as defined herein), Fedrigoni is expected, subject to the Agreed Security Principles, to guarantee the New Notes on a senior secured and joint and several basis on the earlier of (i) the date on which Fedrigoni provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Cut-Off Date.

On the New Notes Issue Date, the New Notes will, subject to certain agreed security principles and certain perfection requirements, be secured by the Issue Date Collateral (as defined herein). Subject to certain agreed security principles and certain perfection requirements, the collateral securing the New Notes, (i) no later than ten Business Days from (and excluding) the New Notes Issue Date, will consist of the Cordenons Issue Date Collateral A (as defined herein) and (ii) no later than 20 Business Days from (and excluding) the New Notes Issue Date, will consist of the Cordenons Issue Date Collateral B (as defined herein). Subject to certain agreed security principles and certain perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from the day on which the Fedrigoni Post-Completion Merger becomes effective will consist of the applicable Fedrigoni Post-Merger Collateral (as defined herein); or, no later than 20 Business Days following the Cut-off Date but before the Fedrigoni Post-Completion Merger becomes effective, the collateral securing the New Notes and the Guarantees (upon the granting thereof by the respective guarantors of the New Notes), will, subject to certain agreed security principles and certain perfection requirements, consist of the applicable Fedrigoni Post-Merger Collateral. Subject to certain agreed security principles and perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from the day on which the Cordenons Post-Completion Merger (as defined herein) becomes effective, will consist of the Cordenons Post-Completion Merger Collateral (as defined herein). Each of the Issue Date Collateral, the Cordenons Issue Date Collateral A, the Cordenons Issue Date Collateral B, the Fedrigoni Post-Merger Collateral and the Cordenons Post-Completion Merger Collateral is further described under "Security." The Collateral (as defined below) also secures (or will secure) the Revolving Credit Facility and certain hedging obligations on a senior basis. In addition, the Revolving Credit Facility will be secured by a special lien (privilegio speciale) over Fedrigoni MergerCo's or Fedrigoni's (as the case may be) moveable assets to be granted by Fedrigoni MergerCo or Fedrigoni (as the case may be) in accordance with article 46 of the Italian Banking Act following the Fedrigoni Post-Completion Merger. Under the terms of the Intercreditor Agreement (as defined herein), in the event of an enforcement of the Collateral, the holders of the New Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations have been repaid in full. In addition, the Guarantees and the security interests in the Collateral may be released under certain circumstances. Subject to the terms of the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. The Issue Date Collateral, the Cordenons Closing Date Collateral, the Fedrigoni Post-Merger Collateral and the Cordenons Post-Completion Merger Collateral, and any and all assets from time to time in which a Security Interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture or the Notes and/or any Notes Guarantee, in each case as may be in existence from time to time, are collectively referred to herein as the Collateral.

The Indenture is unlimited in aggregate principal amount. €455.0 million in aggregate principal amount of Existing Notes were issued on May 11, 2018 pursuant to the Indenture. We may, subject to applicable law, issue an unlimited principal amount of additional notes having identical terms and conditions as the Existing Notes (any such additional notes actually issued, the “Additional Notes”) We are permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens (as described below under “Certain Covenants—Limitation on Indebtedness” and “Certain Covenants—Limitation on Liens”). Unless otherwise excluded, in this “Description of the Notes,” references to the “Notes” include the New Notes.

The Indenture is subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent. See “Description of Other Indebtedness—Intercreditor Agreement” for a description of certain terms of the Intercreditor Agreement.

This “Description of the Notes” is intended to be an overview of the material provisions of the Notes, the Guarantees, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture and the Security Documents for complete descriptions of the obligations of the Issuer and the Guarantors and your rights. Copies of such documents are available from us upon written request as described under “Where You Can Find Other Information” in this New Notes Offering Memorandum.

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.

Brief Description of the Notes and the Notes Guarantees

The Notes

The Notes will:

- 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 that is not subordinated in right of payment to the Notes, including obligations of the Issuer under 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 or future Indebtedness or obligation of the Issuer or of Subsidiaries of the Issuer that is secured by property or assets that do not secure the Notes, or which secures such other indebtedness on a super senior basis, to the extent of the value of the property and assets securing such other Indebtedness or obligation;
- be, subject to the Agreed Security Principles, guaranteed on a joint and several basis by the Post- Merger Guarantor on a senior secured basis on the earlier of (i) the date on which the Post-Merger Guarantor provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date;
- be structurally subordinated to any existing or future Indebtedness or obligations of the Issuer or Subsidiaries of the Issuer, in each case that are not Guarantors, including obligations owed to trade creditors; and
- be represented by one or more registered Notes in global form but in certain circumstances may be represented by Definitive Registered Notes (see “Book-Entry; Delivery and Form” in this New Notes Offering Memorandum).

Under the terms of the Intercreditor Agreement, Holders will receive proceeds from the enforcement of the Collateral only after certain obligations entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes have been repaid in full, including (i) obligations under the Revolving Credit Facility, (ii) other Indebtedness incurred pursuant to the terms of the Indenture that is entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes and (iii) certain Hedging Obligations.

The Notes Guarantees

The Notes Guarantee of each Guarantor will upon its issuance:

- be a senior obligation of each Guarantor, secured as set forth under "Security";
- rank *pari passu* in right of payment with any existing and future indebtedness of such Guarantor that is not expressly subordinated in right of payment to such Notes Guarantee, including such Guarantor's Guarantee of the Revolving Credit Facility;
- rank senior in right of payment to any existing and future indebtedness of such Guarantor that is expressly subordinated to such Notes Guarantee;
- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Notes Guarantee, or which secures such other indebtedness on a super senior basis, to the extent of the value of the property and assets securing such other Indebtedness or obligation; and
- be structurally subordinated to any existing or future Indebtedness or obligations of Subsidiaries of such Guarantor, in each case that are not Guarantors, including obligations owed to trade creditors of such subsidiaries.

The obligations of a Guarantor under its Notes Guarantee will be limited as necessary to prevent the relevant Notes Guarantee from constituting a fraudulent conveyance or unlawful financial assistance or infringement of capital maintenance rules under applicable law, otherwise to reflect limitations under applicable law or as set out in the respective Guarantee. In addition, each Notes Guarantee will be further limited as required by the Agreed Security Principles, as described below under "*The Notes Guarantees—General*." By virtue of these limitations, 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. See "*Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests— Enforcing your rights as a holder of the New Notes or under the Guarantees thereof or the Collateral across multiple jurisdictions may prove difficult*" and "*—The insolvency laws of Italy and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability." The validity and enforceability of the Notes Guarantees and the liability of each Guarantor will be subject to the limitations described in this New Notes Offering Memorandum under the caption "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests.*"

As of the New Notes Issue Date, all of the Subsidiaries of the Issuer will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under "*Certain Definitions—Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "*Unrestricted Subsidiaries*." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Claims of creditors of non-Guarantor Restricted Subsidiaries, including depositors, trade creditors and creditors holding claims under debt and guarantees issued by those Restricted Subsidiaries, and claims of minority stockholders and preferred stockholders of non-Guarantor Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders. The Notes and each Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors), preferred stockholders (if any) and minority stockholders of Restricted Subsidiaries (other than the Guarantors).

As of March 31, 2018, after giving pro forma effect to the Transactions, the Issuer on a consolidated basis would have had €612.8 million of third-party financial Indebtedness (including finance leases) outstanding, €455.0 million of which is represented by the Existing Notes and €125.0 million of which is represented by the New Notes. In addition, as of March 31, 2018, after giving pro forma effect to the Transactions, there would have been €100.0 million available for drawing by the Issuer under the Revolving Credit Facility and €121.1 million available for utilization under certain of Fedrigoni's working capital facilities. See "Description of Other Indebtedness."

Principal and Maturity

On the Original Notes Issue Date, the Issuer issued €455.0 million in aggregate principal amount of the Existing Notes. On the New Notes Issue Date, the Issuer will issue €125.0 million in aggregate principal amount of the New Notes. The Notes will mature on November 30, 2024. The New 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 accrues at a rate per annum, reset quarterly, equal to the sum of EURIBOR, plus 4 1⁄8% (such sum, the "Applicable Rate"), as determined by the Calculation Agent. Interest on the Notes will:

- accrue from the New Notes Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable quarterly in arrears, on each August 31, November 30, February 28 and May 31, beginning on the first interest payment date following the New Notes Issue Date;
- 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 365-day year and the actual number of days elapsed.

Interest on overdue principal and interest, as applicable, will accrue at a rate that is 1% higher than the then applicable rate of interest. In no event, however, will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law; provided, however, that the Calculation Agent (as defined below) shall not be responsible for verifying that the rate of interest on the Notes is permitted under applicable law.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (London time) on each Interest Calculation Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "Interest Amount") and notify the Issuer in writing thereof. The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of the Notes outstanding on the Interest Calculation Date, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 365; provided, however, that interest shall only be paid in respect of Notes outstanding on the applicable interest payment dates. 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 Rates and the Interest Amounts by the Calculation Agent shall, in the absence of willful default, fraud or manifest error, be final and binding on all parties.

Interest on the Notes shall be payable entirely in cash in euros.

Prior to the Fedrigoni Merger Date, the ability of Fedrigoni to make dividends to the Issuer is subject to important limitations and restrictions. See "Risk Factors—Risks Related to Our Capital Structure—The Issuer is a holding company that has no revenue generating operations of its own and prior to the Fedrigoni Post-Completion Merger will depend on cash from the operating companies of the Group to be able to make payments on the New Notes and the Guarantees."

As used herein:

"Calculation Agent" means a financial institution appointed by the Issuer to calculate the interest rate payable on the Notes in respect of each interest period, which shall initially be Elavon Financial Services DAC, UK Branch.

"EURIBOR" means, with respect to an Interest Period, the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date that appears on Reuters page EURIBOR01 as of 11:00 a.m. (Brussels time) on the Interest Calculation Date; provided, however, that EURIBOR shall never be less than 0%. If Reuters Page EURIBOR01 does not include such a rate or is unavailable on an Interest Calculation Date, the Calculation Agent will request the principal London office of each of four major banks in the euro zone inter-bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m. (Brussels time) on such Interest Calculation Date, to prime banks in the euro zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date. If at least two such offered quotations are so provided, EURIBOR for such Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m. (London time) on such Interest Calculation Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date. If at least two such rates are so provided, EURIBOR for such Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then EURIBOR in respect of such Interest Period will be the EURIBOR in effect with respect to the immediately preceding Interest Period.

"*euro zone*" means the region comprised of member states of the European Union that at such time use the euro as their official currency.

"*Interest Calculation Date*" means the day that is two TARGET Settlement Days preceding the first day of such Interest Period (as defined below) in respect of the relevant Interest Period.

"*Interest Period*" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the New Notes Issue Date.

"*Representative Amount*" means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*Reuters Page EURIBOR01*" means the display page so designated on Reuters (or such other page as may replace that page on that service, or, if no such page is available, Bloomberg page "EBF" or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"*TARGET Settlement Day*" means any day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET2) System is open for the settlement of payments in euro.

The rights of Holders to receive payments of interest on the 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 and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; provided that all such payments with respect to the Notes represented by one or more Global Notes registered in the name of or held by a nominee of a common depositary for Euroclear 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 the City of London. See "—Paying Agent and Registrar for the Notes."

Paying Agent and Registrar for the Notes

The Issuer maintains a Paying Agents for the Notes. The Paying Agent is Elavon Financial Services DAC, UK Branch (the "Paying Agent").

The Issuer also maintains a registrar (the "Registrar"), and a transfer agent (the "Transfer Agent"). The Registrar is Elavon Financial Services DAC and the Transfer Agent is Elavon Financial Services DAC, UK Branch. The Registrar, Transfer Agent and Paying Agent, as applicable, 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.

Subject to the above restrictions, the Issuer may change the Paying Agent, Registrar, Transfer Agent or Calculation Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market thereof and the rules of Euronext Dublin so require, the Issuer will publish notice of any change of Paying Agent, Registrar, Transfer Agent or Calculation Agent in a newspaper having a general circulation in Ireland (which is expected to be the Irish Times) or, to the extent and in the manner permitted by such rules, post such notice on the official website of Euronext Dublin (www.ise.ie). The Issuer or any of its Subsidiaries may act as Paying Agent, Registrar or Calculation Agent in respect of the Notes.

The Notes Guarantees

General

On the New Notes Issue Date, the New Notes will not be guaranteed. Subject to the Agreed Security Principles (as defined herein), the obligations of the Issuer under the Indenture and the Notes, including any payment obligations resulting from a Change of Control, are expected to be guaranteed on a senior secured basis, joint and several basis by Arconvert S.A. and Bianco Bidco (the "Post-Merger Guarantors") on the earlier of (i) the date on which the relevant

Guarantor provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Fedrigoni Merger Date (as defined herein). If the Fedrigoni Post-Completion Merger has not occurred by November 16, 2019, Fedrigoni is expected, subject to the Agreed Security Principles, to guarantee the New Notes on a senior secured and joint and several basis on the earlier of (i) the date on which Fedrigoni provides a guarantee of the Revolving Credit Facility and (ii) 120 days from the Cut-Off Date.

In addition, as described below under "Certain Covenants—Additional Guarantees" and subject to the Intercreditor Agreement and the Agreed Security Principles, if Subsidiaries of the Issuer in the future guarantee the Revolving Credit Facility or certain other Indebtedness of the Issuer or a Guarantor permitted under the Indenture, such Person shall also enter into one or more Guarantees or supplemental indentures to become Guarantors of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance rules, corporate benefit rules, fraudulent preference rules, "thin capitalization" rules, capital maintenance rules, retention of title claims and similar matters, or where the time and cost of granting the guarantee would be disproportionate to the benefit accruing to the Holders.

The following is a non-exhaustive summary of certain terms of the Agreed Security Principles, which include, among others:

- general legal and statutory limitations, regulatory restrictions, financial assistance, anti-trust and other competition authority restrictions, corporate benefit, fraudulent preference, equitable subordination, "transfer pricing," "thin capitalization," "earnings stripping," "controlled foreign corporation" and other tax restrictions, "exchange control restrictions," "capital maintenance" rules and "liquidity impairment" rules, tax restrictions, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and the Restricted Subsidiaries (collectively, the "*Group*") to provide a guarantee or security or may require that the guarantee or security be limited as to amount or otherwise and, if so, the guarantee or security will be limited accordingly; provided that, to the extent requested by the Security Agent before signing any applicable security or accession document, the relevant member of the Group shall use reasonable endeavors (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;

- the determination that the time and cost (including adverse effects on taxes, interest deductibility, stamp duty, registration taxes, notarial costs and all applicable legal fees) related to granting the relevant guarantee and/or security (including in respect of the security, the extent of its perfection and/ or registration) will not be disproportionate to the benefit accruing to the relevant secured parties of obtaining such guarantee or security;

- the exclusion from any guarantee or security of any asset subject to a legal requirement, contract, lease, license, instrument or other third party arrangement, which may prevent or condition the asset from being charged, secured or being subject to the applicable security document (including requiring a consent of any third party, supervisory board or works council (or equivalent)) and any asset which, if subject to the applicable security document, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations with respect to any member of the Group in respect of the asset or require the relevant charger to take any action materially adverse to the interests of the Group or any member thereof; provided that reasonable endeavors (exercised for a specified period of time) to obtain consent to charging any asset (where otherwise prohibited) shall be used by the Group if the Security Agent specifies prior to the date of the security or accession document that the asset is material and the Issuer is satisfied that such endeavors will not involve placing relationships with third parties in jeopardy;

- the agreement that members of the Group will not be required to give 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 it would conflict with the fiduciary or statutory duties of their directors or contravene any applicable legal, regulatory or contractual prohibition or restriction or have the potential to result in a material risk of personal or criminal liability for any director or officer of or for any member of the Group, provided that, to the extent requested by the Security Agent before signing any applicable security document or accession document, the relevant member of the Group shall use reasonable endeavors (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;

- the requirement that, to the extent legally effective, all security shall be given in favor of the Security Agent and not the secured creditors individually (with the Security Agent to hold one set of security documents for all the secured creditors); provided that it shall be permissible to use "parallel debt" provisions where necessary (which shall be included in the Intercreditor Agreement and not the individual security documents); and furthermore, the agreement that no member of the Group shall be required to take any action in relation to any guarantees or security as a result of any assignment or transfer of the Notes by a Holder;

- the limitation of guarantees and security so that the aggregate of notarial costs and all registration and like taxes and duties relating to the provision of security will not exceed an amount to be agreed between the Issuer and the Security Agent, and the agreement that 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;

- the agreement that security will not be required over any assets subject to security in favor of a third party (other than certain limited exceptions in relation to bank accounts) or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant security document);

- the agreement it may be either impossible or impractical to create security over certain categories of assets in which event security will not be taken over such assets;

- the agreement that no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement and guarantees and that security will not be required from or over the assets of, any joint venture or similar arrangement, any minority interest or any member of the Group that is not wholly owned by another member of the Group;

- the agreement that the giving of a guarantee, the granting of security and the registration and/or the perfection of the security granted will not be required if it would have a material adverse effect on the ability of the relevant member of the Group to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture and the Intercreditor Agreement (including dealing with the secured assets and all contractual counterparties or amending, waiving or terminating (or allowing to lapse) any rights, benefits or obligations, in each case prior to an Event of Default which is continuing), and the agreement that any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to the Agreed Security Principles; and

- the agreement that other than a general security agreement and related filing, no perfection, filing or other action will be required with respect to assets of a type not owned by members of the Group organized outside Italy, Austria, Belgium, France, Germany, Spain, the United Kingdom or the United States of America (each other jurisdiction, an "Excluded Jurisdictions") or otherwise over the shares of a member of the Group located in an Excluded Jurisdiction.

Each Notes Guarantee will also be limited to the maximum amount that would not render the applicable Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of non-U.S. law, or as otherwise required under the Agreed Security Principles, to comply with corporate benefit, financial assistance, capital maintenance rules and other laws or will be limited as set out in the respective Notes Guarantee. 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. See "Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests—The insolvency laws of Italy and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability" and "Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests—Enforcing your rights as a holder of the New Notes or under the Guarantees thereof or the Collateral across multiple jurisdictions may prove difficult." All of the operations of Fedrigoni will be conducted through Restricted Subsidiaries that will not be Guarantors as of the New Notes Issue Date. The Indenture restricts or will restrict the Incurrence of claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders. The Notes and each Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries.

As of and for the twelve months ended March 31, 2018, the Post-Merger Guarantor together with Fedrigoni collectively accounted for 62.4% of the consolidated total assets (after interdivision eliminations), 55.9% of the consolidated sales revenues (after interdivision eliminations) and 66.8% of the consolidated Adjusted EBITDA (before interdivision eliminations) of the Fedrigoni Group. As of March 31, 2018, on a pro forma basis after giving effect to the Transactions, Subsidiaries of Fedrigoni that are not the Post-Merger Guarantors would have had €0.8 million in aggregate principal amount of third-party indebtedness (excluding finance leases) outstanding. Although the Indenture restricts or will restrict the Incurrence of Indebtedness by the Issuer and the Restricted Subsidiaries in excess of the limitations described under "Certain Covenants—Limitation on Indebtedness," such limitations are subject to a number of significant exceptions. Moreover, the Indenture does not or will not impose any limitation on the Incurrence by the Issuer or Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "Certain Covenants—Limitation on Indebtedness."

Notes Guarantees Release

The Notes Guarantee of a Guarantor will terminate and release upon:

(1) a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of a Guarantor that immediately prior to such sale or other disposition was a Subsidiary of the Issuer (whether by direct sale or sale of a holding company) if the sale or other disposition does not violate the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and such Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(2) the designation in accordance with the Indenture of the Guarantors as an Unrestricted Subsidiary;

(3) legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided in "Defeasance" and "Satisfaction and Discharge";

(4) pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;

(5) as described under "Amendments and Waivers";

(6) as described in the second paragraph of the covenant described below under "Certain Covenants—Additional Guarantees"; or

(7) as a result of a transaction that would not be prohibited under "Certain Covenants—Merger and Consolidation."

At the request and expense of the Issuer and, if applicable, at the request of the Security Agent, the Trustee shall take all reasonably necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release or amendment of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases and amendments set forth above shall be effected by the Trustee without any consent of the Holders or any other action or consent on the part of the Trustee.

Security

General

On the New Notes Issue Date, the New Notes will, subject to the Agreed Security Principles and certain perfection requirements, be secured by (i) a pledge over the entire share capital of the Issuer, (ii) a pledge over the shares of Fedrigoni owned by the Issuer, (iii) a pledge over the material bank accounts of the Issuer, (iv) a security assignment over the intercompany payables owed by the Issuer to HoldCo, if any, (v) a security assignment over the Issuer's claim vis-à-vis Fedrigoni and its applicable subsidiaries arising from any intercompany loans advanced by the Issuer to the Fedrigoni Group for the refinancing of certain of the Fedrigoni Group's existing Indebtedness, (vi) a pledge over the shares of Bianco Bidco owned by the Issuer and (vii) a security assignment over the Issuer's claim vis-à-vis Bianco Bidco arising from any intercompany loans advanced by the Issuer to Bianco Bidco (the "*Issue Date Collateral*").

Subject to the Agreed Security Principles and certain perfection requirements, the collateral securing the New Notes, (i) no later than ten Business Days from (and excluding) the New Notes Issue Date will consist of a pledge over the shares of Cordenons owned by Bianco Bidco (the "Cordenons Issue Date Collateral A") and (ii) no later than 20 Business Days from (and excluding) the New Notes Issue Date, will consist of pledge over the material bank accounts of Bianco Bidco and a security assignment over Bianco Bidco's claim vis-à-vis Cordenons arising from any intercompany loans advanced by Bianco Bidco to Cordenons (the "Cordenons Issue Date Collateral B" and, together with the Cordenons Issue Date Collateral A, the "Cordenons Issue Date Collateral").

We intend to merge the Issuer with Fedrigoni in the Fedrigoni Post-Completion merger by November 16, 2019. Following the Fedrigoni Post-Completion Merger, Fedrigoni MergerCo will assume the obligations of the Issuer under the Notes. Concurrently with the Fedrigoni Post-Completion Merger, the Security Interest in the shares of the Issuer and the Issuer's rights under the Fedrigoni Funding Loan will be released. Subject to the Agreed Security Principles and certain perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from the day on which the Fedrigoni Post-Completion Merger becomes effective, will consist (i) a pledge over the shares of Fedrigoni MergerCo owned by HoldCo granted (or reconfirmed) by HoldCo, (ii) a security assignment granted (or reconfirmed) by HoldCo over the intercompany payables owed by Fedrigoni MergerCo to HoldCo, if any, (iii) a pledge granted (or reconfirmed) by Fedrigoni MergerCo over its material bank accounts and a security assignment granted (or reconfirmed) by Fedrigoni MergerCo over its intercompany receivables, (iv) a pledge over the shares in certain of Fedrigoni MergerCo's material subsidiaries, and (v) a pledge granted (or reconfirmed) by Fedrigoni MergerCo over the shares of Bianco Bidco or Cordenons MergerCo, as the case may be, and a security assignment granted (or reconfirmed) by Fedrigoni MergerCo over its intercompany receivables to Bianco Bidco or Cordenons MergerCo, as the case may be; or, no later than 20 Business Days following the Cut-off Date but before the Fedrigoni Post-Completion Merger becomes effective, the Collateral securing the New Notes and the Guarantees (upon the granting thereof by the respective guarantors of the New Notes), subject to certain agreed security principles and certain perfection requirements, consisting of (i) a pledge over the shares of the Issuer owned by HoldCo already granted by HoldCo, (ii) a security assignment already granted by HoldCo over the intercompany payables owed by the Issuer to HoldCo, if any, (iii) a pledge already granted by the Issuer over its material bank accounts and a security assignment already granted by the Issuer over its intercompany loan receivables, (iv) a pledge over the shares of Fedrigoni owned by the Issuer already granted by the Issuer, (v) a security assignment granted by Fedrigoni over its intercompany receivables, if any, (vi) a pledge over the shares in certain of Fedrigoni's material subsidiaries, and (vii) a pledge over the shares of Bianco Bidco or Cordenons MergerCo, as the case may be, owned by the Issuer and security assignment over the Issuer's claim vis-à-vis Bianco Bidco or Cordenons MergerCo, as the case may be, arising from any intercompany loans advanced by the Issuer to Bianco Bidco or Cordenons MergerCo, as the case may be (the "*Fedrigoni Post-Merger Collateral*").

Within nine months following the Cordenons Acquisition Completion Date, we intend to merge Bianco Bidco with Cordenons in the Cordenons Post-Completion Merger. Concurrently with the Cordenons Post-Completion Merger, the Security Interests in the shares of Bianco Bidco and Bianco Bidco's rights under the Cordenons Funding Loan will be released. Subject to the Agreed Security Principles and certain perfection requirements, the collateral securing the New Notes, no later than 20 Business Days from the day on which the Cordenons Post-Completion Merger becomes effective, will consist of (i) a pledge over the shares of Cordenons MergerCo owned by the Issuer or Fedrigoni MergerCo (as the case may be), (ii) a pledge granted (or reconfirmed) by Cordenons MergerCo over its material bank accounts and a security assignment granted (or reconfirmed) by Cordenons MergerCo over its intercompany receivables, if any, and (iii) a pledge over the shares in certain of Cordenons MergerCo's material subsidiaries, if any (the "Cordenons Post-Completion Merger Collateral" and, together with the Issue Date Collateral, the Cordenons Issue Date Collateral, the Fedrigoni Post-Merger Collateral and any and all assets from time to time in which a Security Interest has been granted or will be granted pursuant to any Security Document to secure the obligations under the Indenture or the Notes and/or any Notes Guarantee, in each case as may be in existence from time to time, the "*Collateral*").

We cannot assure you that we will be able to complete the Fedrigoni Post-Completion Merger. See "*Risk Factors—Risks Related to the Transactions—We may be unable to complete the Post-Completion Mergers within the anticipated time frame, or at all*."

The assets that comprise the Collateral will also secure on a first-priority basis the Revolving Credit Facility and certain Hedging Obligations, which, in each case, will be entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes. In addition, the Revolving Credit Facility will also be secured by a special lien (privilegio speciale) granted by Fedrigoni MergerCo over its movable assets.

Subject to certain conditions, and subject to the restrictions described under "Certain Covenants—Impairment of Security Interest" and "Certain Covenants—Limitation on Liens," the Issuer will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including Additional Notes, as permitted under the Indenture and the Intercreditor Agreement.

The Collateral will be pledged or assigned pursuant to the Security Documents to the Security Agent on behalf of the Holders and lenders under the Revolving Credit Facility and other secured parties. 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." Any future additional Collateral (for the avoidance of doubt, other than Collateral that is released and retaken either (i) pursuant to clause (1) under "Release of Liens" or (ii) as would not be prohibited under "Certain Covenants—Impairment of Security Interest") will be subject to the Agreed Security Principles and all Collateral will be subject to any Permitted Collateral Liens.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests" in this New Notes Offering Memorandum.

Notwithstanding the foregoing and the provisions of the covenants described below under "Certain Covenants—Limitation on Liens" and "Certain Covenants—Additional Guarantees," certain property, rights and assets (other than the Collateral described in the first paragraph of this section) may not be pledged or assigned, and any pledge or assignment over property, rights and assets may be limited (or the Liens not perfected) and certain Persons may grant Notes Guarantees or such Notes Guarantees may be limited, in each case, in accordance with the Agreed Security Principles. See "The Notes Guarantees—General" for a summary of certain terms of the Agreed Security Principles.

As described above, all of the Collateral will also secure the liabilities under the Revolving Credit Facility as well as certain Hedging Obligations, which will receive proceeds from the enforcement of the Collateral in priority to the Notes, and may also secure certain future Indebtedness on the same basis with respect to the receipt of proceeds from the enforcement of the Collateral in priority to the Notes. The proceeds from the enforcement of the Collateral after all such obligations have been satisfied may not be sufficient to satisfy the obligations owed to the Holders.

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 New Notes, the Guarantees and the Security Interests—The New Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the New Notes and future secured indebtedness may be secured by certain assets that do not secure the New Notes*" and "*—The value of the Collateral securing the New Notes may not be sufficient to satisfy our obligations under the New Notes and such collateral may be reduced or diluted under certain circumstances.*"

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "Security Interests" and each, a "Security Interest") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent, the Paying Agent, Registrar, Transfer Agent and Calculation Agent (collectively, the "Agents") and the Holders under the Indenture and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, will be established by the terms of the Intercreditor Agreement, the Indenture, the Notes and the Security Documents, which will provide, among other things, that the obligations of the Issuer and the Guarantors under the Revolving Credit Facility, certain Hedging Obligations, the Notes and the Notes Guarantees will be secured equally and ratably by first-priority Security Interests over the Collateral. The Intercreditor Agreement will also provide, among other things, that the obligations of the Issuer and the Guarantors under the Revolving Credit Facility and certain Hedging Obligations will receive proceeds from the enforcement of the Collateral in priority to the Notes. See "*Description of Other Indebtedness—Intercreditor Agreement*." In addition, subject to certain limitations, the Collateral may be pledged to secure future Indebtedness, some of which may receive proceeds from the enforcement of the Collateral in priority to the Notes. See "*—Release of Liens*," "*Certain Covenants—Impairment of Security Interest*" and "*Certain Definitions—Permitted Collateral Liens.*"

Security Documents

Under the Security Documents, the Issuer and the Guarantors will grant security over the Collateral to secure the payment, when due, of the Issuer's and the Guarantors' payment obligations under the Notes, the Notes Guarantees and the Indenture, as well as the Issuer's and the Guarantors' payment obligations under the Revolving Credit Facility and certain Hedging Obligations. The Security Documents will be entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations in relation to the Security Interests created in favor of such parties.

Both the Indenture and the Intercreditor Agreement provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders. As a consequence of such contractual provisions, Holders will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent.

The Indenture provides that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "—Release of Liens."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests."

Enforcement of Security Interest; Limitations

The creditors under the Revolving Credit Facility, the counterparties to certain Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a New Note, each Holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the relevant security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Credit Facility, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the Security Documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (ii) execute each relevant Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture provides or will provide that the Issuer and the Trustee will be authorized (without any further consent of the Holders) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "Description of Other Indebtedness—Intercreditor Agreement."

The Indenture also provides or will 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, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(3) agreed to, and accepted, the appointment of BNP Paribas, Italian Branch, as representative (rappresentante) of the noteholders for the purposes of Article 2414-bis, paragraph 3, of the Italian Civil Code;

(4) agreed and acknowledged that the Security Agent will administer the Transaction Security in accordance with the Intercreditor Agreement; and

(5) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

See the sections entitled "*Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the New Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law" and "Description of Other Indebtedness—Intercreditor Agreement*."

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into as described under "Certain Covenants—Additional Intercreditor Agreements."

Release of Liens

The Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to (a) any Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "Certain Covenants—Merger and

Consolidation"), if such sale or other disposition does not violate the covenant described under "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" and is otherwise not prohibited under the Indenture or (b) to any Restricted Subsidiary; provided that this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock, obligations under proceeds loans owed to the Issuer, or accounts receivable (including intercompany loan receivables and hedging receivables) to a Restricted Subsidiary (except, in the case of accounts receivable, to a Receivables Subsidiary) unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such transfer, sale or disposal;

(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 legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "Defeasance" and "Satisfaction and Discharge";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) upon the contribution of any claim of the Issuer or any Restricted Subsidiary, which is subject to a Lien, to the equity of the Issuer or any of the Restricted Subsidiaries; provided that such contribution is made in compliance with the Intercreditor Agreement;

(7) in connection with the Fedrigoni Post-Completion Merger, as described under "Security"; or

(8) as otherwise not prohibited by the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement (including as described under "Description of Other Indebtedness—Intercreditor Agreement—Required Consents—Provisions Following an IPO") and (b) as would not be prohibited under "Certain Covenants—Impairment of Security Interest."

At the request and expense of the Issuer or the relevant pledgor, the Security Agent and, to the extent required or necessary, the Trustee 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, subject to customary protections and indemnification, if applicable. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release). The Security Agent and the Trustee shall be entitled to request and rely solely upon an Officer's Certificate and Opinion of Counsel, each certifying which circumstance, as described above, giving rise to a release of the Security Interests has occurred, and that such release complies with the Indenture.

Transfer and Exchange

The Notes will be issued in the form of 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 ("Rule 144A") 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 New Notes Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

- Notes sold outside the United States pursuant to Regulation S under the Securities Act ("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 144A Global Notes, the "Global Notes"). The Regulation S Global Note will, on the New Notes Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to Investors." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes 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.

Subject to the foregoing, Book-Entry Interests in the Regulation S Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the 144A Global Note 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 "Notice to Investors" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the two 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 "Notice to Investors."

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 requires 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.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the New Notes Issue Date, each the Issuer's Subsidiaries will be a Restricted Subsidiary. However, in the circumstances described below under "Certain Definitions—Unrestricted Subsidiary," the Issuer will be permitted to designate Restricted Subsidiaries that are Subsidiaries of the Issuer as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

IPO Debt Pushdown

On, in contemplation of, or following an Initial Public Offering, the terms of the 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 Other Indebtedness—Intercreditor Agreement—Required Consents—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) 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.

Optional Redemption

Except as described below and except as described under "Redemption for Taxation Reasons," the Notes are not redeemable until May 31, 2019. On and after May 31, 2019, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' prior written notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest (calculated with reference to the interest rate as of the most recent Interest Calculation Date) and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date, if redeemed during the twelve-month period beginning on May 31 of the years indicated below:

Year	Redemption Price
2019	101.0000%
2020 and thereafter	100.0000%

In addition, prior to May 31, 2019, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' prior written notice at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium (as defined below), plus accrued and unpaid interest (calculated with reference to the interest rate as of the most recent Interest Calculation Date) and Additional Amounts, if any, to, but not including, the applicable redemption date.

"*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 May 31, 2019 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Note to and including May 31, 2019 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate (as defined below) at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points and assuming that the rate of interest on the Notes for the period from the redemption date through May 31, 2019, 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 or any of the Agents.

"*Bund Rate*" as selected by the Issuer, means the rate per annum equal to 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 of the Issuer)) most nearly equal to the period from the redemption date to May 31, 2019; provided, however, that if the period from the redemption date to May 31, 2019, is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to May 31, 2019, 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.

General

Subject to compliance with the covenants contained herein, the Issuer and its affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such affiliates may determine.

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 Euronext Dublin and the rules of Euronext Dublin so require, inform Euronext Dublin of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may 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 (provided, however, that, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given), 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.

Notwithstanding the foregoing, in connection with any tender offer for the Notes, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will 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 that remain outstanding in whole, but not in part following such purchase at a price equal to the price offered to each other Holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Redemption at Maturity

On November 30, 2024, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select Notes for redemption on a pro rata basis (or, in the case of Notes issued in global form as discussed under "Book-Entry; Delivery and Form," based on a method that most nearly approximates a pro rata selection in accordance with the procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on Euronext Dublin and the rules of Euronext Dublin so require, the Issuer shall publish notice of redemption in a leading newspaper of general circulation in Ireland (which is expected to be the Irish Times) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may instead be published on the website of Euronext Dublin (www.ise.ie).

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 Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders (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") 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, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published 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 Notes would be, required to pay Additional Amounts with respect to the Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the 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 publicly announced and become effective on or after the Original Notes Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Original Notes Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Notes and (b) mutatis mutandis to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change 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 earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the 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 that it cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (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, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor or the Paying Agent; or

(2) any other jurisdiction in which a Payor is organized or considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "Relevant Taxing Jurisdiction"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Note or any Notes Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received 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 the beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or the beneficial owner, if the relevant Holder or the beneficial owner 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; or

(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 reasonable written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction is 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; or

(3) any Taxes, to the extent that such Taxes are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period); or

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Notes Guarantee; or

(5) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge; or

(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 pursuant to Italian Legislative Decree No. 461 of November 21, 1997 unless the procedure required under Legislative Decree No. 239 in order to benefit from an exemption from imposta sostitutiva have not been complied with, due to the actions or omissions of the Issuer or its agents; or

(7) any Taxes required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Original Notes Issue Date (or, in each case, any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(8) any combination of the items (1) through (7) 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 reasonable efforts to obtain and provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if 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 reasonable 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 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's

Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee 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 purchase 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 reimburse the Holders for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Notes Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this offering and, limited solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (6)).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply mutatis mutandis to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Notes Guarantee) 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 (equal to €100,000 or integral multiples of €1,000 in excess thereof; provided that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase; provided, however, that the Issuer shall not be obligated to repurchase 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 and given notice of redemption as described under "Optional Redemption" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "Optional Redemption" and 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 and Additional Amounts, if any, to, but not including, the date of purchase (the "Change of Control Payment");

(2) stating the repurchase date (which shall be no earlier than ten days nor later than 60 days from the date such notice is mailed) (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 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 Trustee (or an authenticating 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, at the cost of the Issuer, 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 Euronext Dublin and the rules of Euronext Dublin so require, the Issuer shall publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Ireland (which is expected to be the Irish Times) or to the extent and in the manner permitted by such rules, post such notices on the official website of Euronext Dublin (www.ise.ie).

Except as described above with respect to a Change of Control, the Indenture does not or will 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. Holders' right to require the Issuer to repurchase 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 such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility Agreement. In addition, certain events that may constitute a change of control under the Revolving Credit Facility 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 the Restricted 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 and whether Fedrigoni is permitted to distribute funds to the Issuer. 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 New Notes, the Guarantees and the Security Interests—The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender" and "Risks Related to Our Capital Structure—The Issuer is a holding company that has no revenue generating operations of its own and prior to the Fedrigoni Post-Completion Merger will depend on cash from the operating companies of the Group to be able to make payments on the New Notes and the Guarantees."

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of the Issuer 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 and assets of the Issuer. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any Restricted Subsidiary 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, after giving pro forma effect to the Incurrence of such Indebtedness (including pro forma application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Issuer would have been no greater than 3.75 to 1.0; provided that the aggregate principal amount of such Indebtedness that may be incurred pursuant to this paragraph by Restricted Subsidiaries that are not Guarantors will not exceed the greater of €40.0 million and 33% of Consolidated EBITDA.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of €110.0 million and 91% of Consolidated EBITDA, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2)

(a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; provided that if the Indebtedness being guaranteed is subordinated or pari passu with a Notes Guarantee, then the Guarantee of such Indebtedness shall be subordinated or pari passu to the same extent as the Indebtedness being guaranteed; or

(b) without limiting the covenant described under "—Limitation on Liens," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; provided, however, that:

(a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is not the Issuer or a Guarantor, such Indebtedness is unsecured and, only to the extent legally permitted (the relevant Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness), it is expressly subordinated to the prior payment in full in cash of all obligations with respect to the applicable Notes Guarantee pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4)

(a) Indebtedness represented by the Notes (other than any Additional Notes) and any "parallel debt" obligations related to the Notes under the Intercreditor Agreement or any Additional Intercreditor Agreement, as well "parallel debt" obligations related to any other Indebtedness permitted to be Incurred pursuant to this Indenture;

(b) any Indebtedness of the Fedrigoni Group outstanding on or, in respect of factoring financings, securitizations, Receivables Financings or similar arrangements (including, for the avoidance of doubt, Indebtedness, commitments or an amount equal to availability for borrowing in respect of any fido salvo buon fine instruments), Incurred under a facility committed and in effect as of the Original Notes Issue Date;

(c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses 4(a), 4(b), this clause 4(c), (5) and (13) of this paragraph or Incurred pursuant to the first paragraph of this covenant;

(d) Indebtedness Incurred in respect of Management Advances; and

(e) any loan or other instrument constituting Indebtedness that is subordinated in right of payment to the Notes in compliance with the terms of the Intercreditor Agreement on-lending the proceeds of any Indebtedness not prohibited from being Incurred pursuant to the Indenture to the Issuer or a Restricted Subsidiary; provided, however, that for the avoidance of doubt (i) any such proceeds of Indebtedness that are so received shall be excluded for purposes of making Restricted Payments (as defined below) under the first paragraph and clauses (1), (6), and (16) of the third paragraph of the covenant described below under "—Limitation on Restricted Payments";

(5) Indebtedness of any Person (a) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (b) Incurred to provide all or a portion of the funds utilized to consummate a transaction or series of related transactions pursuant to which (i) any Person became a Restricted Subsidiary or is otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) any assets are acquired and related liabilities are assumed by the Issuer or any Restricted Subsidiary; provided that Indebtedness Incurred pursuant to this clause (5) is in an aggregate amount not to exceed (I) €10.0 million, plus (II) unlimited additional Indebtedness to the extent that after giving pro forma effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, (x) either (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (B) the Fixed Charge Coverage Ratio for the Issuer would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness and (y) to the extent that the Indebtedness Incurred under sub-clause (ii) of this clause (5) constitutes Senior Secured Indebtedness, either (A) the Issuer would have been able to Incur €1.00 of additional Senior Secured Indebtedness pursuant to the first paragraph of this covenant or (B) the Consolidated Senior Secured Net Leverage Ratio for the Issuer would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness in respect of Hedging Obligations not for speculative purposes (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent);

(7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used or useful in a Similar Business or (b) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €30.0 million and 25% of Consolidated EBITDA; provided that such Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 365 days thereafter;

(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 or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement; (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, provided, however, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business; (d) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, in the ordinary course of business; 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 (ii) deferred compensation or other similar arrangements in connection with the Transactions or any other Investment or acquisition permitted hereby;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); provided that the maximum liability of the Issuer and the 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 the Restricted Subsidiaries in connection with such disposition;

(10)

(a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) (i) customer deposits and advance payments received for good faith commercial reasons from customers for goods or services purchased and (ii) Indebtedness consisting of obligations owing under any customer or supplier incentive, supply, license or similar agreements entered into for good faith commercial reasons;

(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 of the Issuer and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and the Restricted Subsidiaries; and

(d) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €45.0 million and 37% of Consolidated EBITDA;

(12) Indebtedness Incurred by the Issuer or any Restricted Subsidiary under (a) a Qualified Receivables Financing or (b) factoring financings, securitizations, Receivables Financings or similar arrangements that are Incurred on financing terms and with covenants, termination events and other provisions of such financing on market terms (as determined in good faith by the Board of Directors of the Issuer) not in excess of the greater of €25.0 million and 21% of Consolidated EBITDA at any time outstanding;

(13) Indebtedness of the Issuer and any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer, in each case, subsequent to the Original Notes 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 (16) of the third paragraph of the covenant described below under "—Limitation on Restricted Payments" to the extent the Issuer or any Restricted Subsidiary Incurs 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 Restricted Subsidiary makes a Restricted Payment under the first paragraph and clauses (1), (6) and (16) of the third paragraph of the covenant described under "—Limitation on Restricted Payments" in reliance thereon; and

(14) the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness consisting of local lines of credit or working capital facilities not exceeding the greater of €20.0 million and 17% of Consolidated EBITDA.

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 first or second paragraph of this covenant;

(2) (a) all Indebtedness Incurred under clause (1) of the second paragraph of this covenant that is secured by a Lien on the Collateral that is accorded super senior priority status with respect to proceeds of enforcement of Collateral under the Intercreditor Agreement or any Additional Intercreditor Agreement may not be reclassified and (b) all Indebtedness outstanding on the Original Notes Issue Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant and may not be reclassified;

(3) in any case where 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" is or may be based on Consolidated EBITDA, the amount that may be Incurred and/or secured under such provisions shall be deemed to include all amounts necessary to renew, refund, refinance, replace, restructure, defease or discharge any Indebtedness Incurred and/or secure any Indebtedness Incurred pursuant to such provisions. Notwithstanding any other provision of this covenant or any provision of the covenant set forth in "—Limitation on Liens," the maximum amount that the Issuer or a Restricted Subsidiary may Incur and/or secure pursuant to this covenant and/or the covenant set forth in "—Limitation on Liens" shall not be deemed to be exceeded, with respect to such Incurrence or grant of Lien, due solely to the result of fluctuations in the amount of Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness and such Lien will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess will continue);

(4) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(5) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(6) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(7) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS;

(9) accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of OID, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant, nor to be the Incurrence of a Lien under the covenant set forth in "—Limitation on Liens"; provided that the Lien securing such originally Incurred Preferred Stock or Indebtedness was secured in accordance with the Indenture. 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 OID and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness; and

(10) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (29) of the definition of "Permitted Liens" or any Permitted Collateral Lien, the Incurrence or issuance thereof for all purposes under the Indenture, including, without limitation, for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable, or use of clauses (1) through (14) of the preceding paragraph (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) will, at the Issuer's option, either (a) be determined on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof has been borrowed as of such date) or other Indebtedness, Disqualified Stock or Preferred Stock, and, if such Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant and under the covenant described under "—Limitation on Liens" irrespective of the Fixed Charge Coverage Ratio, Consolidated Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (a) shall be the "Reserved Indebtedness Amount" as of such date for purposes of the Fixed Charge Coverage Ratio, Consolidated Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable, or other provision of the Indenture, and, to the extent the usage of clauses (1) through (14) of the preceding paragraph (if any), shall be deemed to be Incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, the Issuer may revoke such determination at any time and from time to time.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by such Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under "—Limitation on Indebtedness," the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the euro equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower euro equivalent), in the case of Indebtedness Incurred under a revolving credit facility; provided that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of "Refinancing Indebtedness"; (b) the euro equivalent of the principal amount of any such Indebtedness outstanding on the New Notes Issue Date in respect of the Issuer shall be calculated based on the relevant currency exchange rate in effect on the New Notes Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Issuer will not, and will not permit any Restricted Subsidiary, 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 Restricted Subsidiary) except:

(a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding;

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a pro rata basis); or

(c) dividends or distributions payable to any Parent to fund interest payments in respect of Indebtedness of such Parent which is Guaranteed by the Issuer or any Restricted Subsidiary or is otherwise considered Indebtedness of the Issuer or any Restricted Subsidiary (provided that (x) any net proceeds from such Indebtedness are contributed to the equity of the Issuer or any Restricted Subsidiary in any form or otherwise received (including by way of Indebtedness) by the Issuer or any Restricted Subsidiary; (y) any net proceeds described in subclause (x) above shall be excluded for purposes of increasing the amount available for distribution pursuant to clause (c) of the immediately following paragraph and clauses (1), (6)(y) and (16) of the third paragraph of this covenant; and (z) in the case that any net proceeds described in subclause (x) above are contributed to the Issuer or a Restricted Subsidiary in the form of Indebtedness, there shall be no double-counting of interest paid on such Indebtedness and any dividends or distributions payable to the relevant Parent to fund interest payments in respect of Indebtedness of such Parent);

(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 (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding or payments of interest on Subordinated Shareholder Funding resulting from a loan of the net proceeds of Indebtedness contemplated by clause (1)(c) above); or

(5) make any Restricted Investment in any Person (each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "Restricted Payment").

Notwithstanding the foregoing, the Issuer or any Restricted Subsidiary may make Restricted Payments, if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer would have been permitted to Incur at least an additional €1.00 of Indebtedness pursuant to clause (1) the first paragraph of the covenant described under "—Limitation on Indebtedness" after giving effect, on a pro forma basis, to such Restricted Payment; and

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Original Notes Issue Date (and not returned or rescinded) (including Permitted Payments (as defined below) permitted below by clauses (5) and (16) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would not exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income of the Issuer for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Original Notes Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next 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 Original Notes 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 Original Notes Issue Date (other than (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next 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 Original Notes 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 next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (y) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph and (z) Excluded Contributions;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next 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 Original Notes 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 from an Unrestricted Subsidiary, to the extent that such dividend or distribution does not reduce the amount of Investments outstanding under clauses (11) or (18) of the definition of "Permitted Investment"; and

(vii) €15.0 million,

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clauses (iv), (v) or (vi). The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an Officer of the Issuer.

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 pursuant to clause (12) of this paragraph) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer; provided, however, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the second paragraph of this covenant;

(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 Disqualified Stock of the Issuer or Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or Preferred Stock of the Issuer or 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;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under "—Limitation on Sales of Assets and Subsidiary Stock," but only if the Issuer shall have first complied with the terms described under "—Limitation on Sales of Assets and Subsidiary Stock" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100.00% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "Change of Control" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101.00% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (i) 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 any assets are acquired and related liabilities assumed by the Issuer or any Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such transaction or series of transactions) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (in each case, including any options, warrants or other rights in respect thereof), in each case from Management Investors; provided that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) €5.0 million, plus €2.0 million multiplied by the number of calendar years that have commenced since the Original Notes Issue Date (with any amount unused in any calendar year being carried over in the following years), plus (y) the Net Cash Proceeds received by the Issuer and the Restricted Subsidiaries since the Original Notes Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), plus (z) the Net Cash Proceeds of key man life insurance policies, to the extent such Net Cash Proceeds in (y) and (z) are not included in any calculation under clause (c)(i) or (c)(ii) of the second paragraph under this covenant and are not Excluded Contributions;

(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):

(i) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes;

(i) 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 Original Notes 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";

(1) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in (i) an aggregate amount outstanding at any time not to exceed the greater of €35.0 million and 29% of Consolidated EBITDA; and (ii) any Restricted Payments, so long as, immediately after giving pro forma effect to the payment of such Restricted Payment and the Incurrence of any Indebtedness the net proceeds of which are used to make such Restricted Payment, the Consolidated Net Leverage Ratio shall be no greater than 2.75 to 1.00;

(2) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, provided, however, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent);

(3) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate amount of Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);

(4) payment of any Receivables Fees and purchases of Receivables Assets and other assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing or a Receivables Financing;

(5) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Original Notes 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 Original Notes Issue Date; provided that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) 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 Excluded Contributions or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(6) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(7) the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Capital Stock, common stock or common equity interests of the Issuer, any Parent or any IPO Entity following a Public Offering of such Capital Stock, common stock or common equity interests; provided that the aggregate amount of all such dividends or distributions shall not exceed in any fiscal year the greater of: (a) 6% of the Net Cash Proceeds received from such Public Offering or subsequent Equity Offering by the Issuer or contributed to the capital of the Issuer by any Parent in any form other than Indebtedness or Excluded Contributions; and (b) following an Initial Public Offering, an amount equal to (i) where, after giving pro forma effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Net Leverage Ratio shall be equal to or less than 3.25 to 1.0, the greater of (x) 7% of the Market Capitalization and (y) 7% of the IPO Market Capitalization; and where, after giving pro forma effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Net Leverage Ratio shall be greater than 3.25 to 1.0, but equal to or less than 3.5 to 1.0, the greater of (x) 5% of the Market Capitalization and (y) 5% of the IPO Market Capitalization; and

(8) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital

Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); provided, however, that the total aggregate amount of Restricted Payments made under this clause (17) does not exceed €7.5 million per calendar year.

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 or a member of senior management of the Issuer or any Parent acting in good faith.

Limitation on Liens

HoldCo, solely in respect of any of its property or assets constituting Collateral, will not, and the Issuer will not, and the Issuer 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 Original Notes 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 all payments due under the Indenture are directly secured equally and ratably with, or prior to (in the case of Liens with respect to Subordinated Indebtedness), the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes 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."

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "Increased Amount" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of OID, the payment of interest in the form of additional Indebtedness with the same terms, accretion of OID or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing such Indebtedness.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;

(2) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(3) 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 Indenture, the Notes, the Intercreditor Agreement or the Security Documents, or (c) any other agreement or instrument, in each case in effect at or entered into on the Original Notes 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, 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) and outstanding on such date; provided that, for the purposes of this clause (2), if another Person is the Successor Issuer (as defined below), the Successor Issuer or the Successor Guarantor (each 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 Issuer or the Successor Guarantor;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (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 clauses (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 (i) no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent) or (ii) customary in comparable financings and where, in the case of this sub-clause (ii), the Issuer determines at the time of Incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction in respect of Hedging Obligations;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Original Notes 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 than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, the Notes or the Indenture, together with the Security Documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Original Notes Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent) or (b) constituting an Additional Intercreditor Agreement;

(12) any encumbrance or restriction effected in connection with a Qualified Receivables Financing that, in good faith determination of the Board of Directors or a member of senior management of the Issuer or any Parent are customarily Incurred in connection with a Qualified Receivables Financing and that are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "—Limitation on Liens."

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the Capital Stock, property or other assets subject to such Asset Disposition (as determined by the Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(a) cash (including any Net Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

(b) Cash Equivalents;

(c) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or a Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness and Indebtedness owed to the Issuer or any Restricted Subsidiary) that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any Guarantee of such Indebtedness as a result of such Asset Disposition;

(d) Replacement Assets;

(e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor, and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(g) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €25.0 million and 21% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(h) a combination of the consideration specified in sub-clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days of the later of (i) the date of the consummation of such Asset Disposition and the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary, as applicable, to:

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "—Limitation on Indebtedness"; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem (a) the Notes and/or (b) Indebtedness (other than the Notes, Subordinated Indebtedness or Indebtedness owed to the Issuer or any Restricted Subsidiary) that is secured by a Lien on the Collateral on a pari passu basis with the Notes (including Indebtedness with super priority status in respect of the proceeds from the enforcement of the Collateral) at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured 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) and at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; provided, however, that in connection with the prepayment, repayment or purchase of Indebtedness (other than the Notes or any revolving Indebtedness (including, for the avoidance of doubt, under the Revolving Credit Facility)), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitments (if any) to be reduced in an amount equal to the principal amount so prepaid, repaid or purchased;

(2) purchase Notes pursuant to an offer to all Holders at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest thereon 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); provided, however, that to the extent the Issuer or any Restricted Subsidiary has elected to purchase any amount of the Notes at a price not less than par, to the extent Holders elect not to tender their Notes for such purchase, the Issuer will be deemed to have applied an amount of Net Available Cash equal to such amount not tendered, and such amount shall not increase the amount of Excess Proceeds;

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clauses (1) through (6) of this paragraph or a combination thereof; provided that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365-day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "Excess Proceeds." Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture.

On the 366th day (or the 546th day, if a binding commitment as described in clause (8) above has been entered into) after an Asset Disposition, or at such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €20.0 million, the Issuer will be required within ten Business Days thereof to make an offer ("Asset Disposition Offer") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their euro equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; provided that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Disposition offer prior to the expiration of the 365-day (or 545-day, as applicable) period mentioned in this covenant.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any Restricted Subsidiary 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 €10.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €25.0 million, the terms of such transaction or series of related transactions have been approved or ratified 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" (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "—Limitations on Restricted Payments") and any agreement related to such Restricted Payments or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (11) and (14) of the definition thereof);

(2) any issuance or sale of Subordinated Shareholder Funding, Capital Stock, options, other equity-related investments 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, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved or ratified by the Board of Directors of the Issuer;

(3) any Management Advances and any waiver or transaction with respect thereto, or Parent Expenses;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or with an entity that is not an Affiliate that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities 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) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any Restricted Subsidiary 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 Original Notes Issue Date, 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 Restricted Subsidiary 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; provided that payments under such Tax Sharing Agreement shall not exceed, and shall not be duplicative of, the amounts described under clause (7) of the definition of "Parent Expenses" and that the related tax liabilities of the Issuer and the Restricted Subsidiaries are relieved thereby;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services 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 between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer (other than an Unrestricted Subsidiary) or an Associate or similar entity, including any joint venture, that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary 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) without duplication of the payments referred to under item 6 of the definition of "Parent Expenses," (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 in an aggregate amount not to exceed (i) prior to the second anniversary of the Completion Date, €3.5 million per annum and (ii) thereafter, the greater of €3.5 million and 3% of Consolidated EBITDA per annum and, in each case, related expenses 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, and payments related to the reimbursement of reasonable out-of-pocket expenses Incurred by a Permitted Holder in connection with its Investment in the Issuer or any Restricted Subsidiary, which payments (or agreements providing for such payments) in respect of this clause (11)(b) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions in respect of which the Issuer or a Restricted Subsidiary delivers a written opinion (in form and substance reasonably satisfactory to the Trustee) to the Trustee 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) 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 of the Permitted Holders in securities of any Restricted Subsidiary (and the payment of reasonable out-of-pocket expenses of the Permitted Holders in connection therewith);

(14) pledges of Capital Stock of Unrestricted Subsidiaries;

(15) any transaction effected as part of a Qualified Receivables Financing; and

(16) Investments by Affiliates in Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) non-Affiliates were also offered the opportunity to invest in such Indebtedness or Preferred Stock on the same or more favorable terms and (iii) in the case of securities, the investment constitutes less than 5% of the issue amount of such securities, and transactions with Affiliates solely in their capacity as holders of Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 150 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2018, and within 120 days after the end of each of the Issuer's fiscal years thereafter, (a) annual reports containing: (i) information with a level and type of detail that is substantially comparable in all material respects to information in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" in the Original Notes Offering Memorandum; (ii) unaudited pro forma income statement and balance sheet information of the Issuer together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such pro forma information has been provided in a previous report pursuant to clause 2(b) or (2)(c) below); provided that such pro forma financial information will be provided only to the extent available without unreasonable expense or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; and (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent two fiscal years 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; (b) a description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; (c) a description of material risk factors and material subsequent events; and (d)

Consolidated EBITDA; provided that the information described in clauses (b), (c) and (d) may be provided in the footnotes to the audited financial statements;

(2) within 60 days (or, in the case of the fiscal quarter ended March 31, 2018, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ended March 31, 2018, quarterly financial statements containing the following information: (a) 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; (b) unaudited pro forma income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; provided that such pro forma financial information will be provided only to the extent available without unreasonable expense or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; and (c) an operating and financial review of the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or 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 Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also post such report on the Issuer's website. The Issuer will also provide copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and for so long as the Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market thereof and to the extent that the rules and regulations of Euronext Dublin so require, copies of such reports furnished to the Trustee will also be posted to the website of Euronext Dublin.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement and on a consistent basis for the periods presented, except as may otherwise be described in such information; provided, however, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided below, no report need include separate financial statements for the Issuer or any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Original Notes Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Issuer's (a) total revenue or Consolidated EBITDA for the most recently-completed four full consecutive fiscal quarters for which annual or quarterly financial reports have been delivered to the Trustee or (b) consolidated assets as of the last day of the most recently-completed fiscal quarter for which annual or quarterly financial reports have been delivered to the Trustee.

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" 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 the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In the event that (i) the Issuer or any Parent becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer or such Parent, as applicable, is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d).

The Issuer may comply with the requirements of clauses (1) and (2) of this covenant by providing consolidated financial information and reports of Fedrigoni and its Subsidiaries instead of the Issuer; provided that such reports also include separate columns for the information described in clauses (b)(ii)-(iv) of the next sentence. The Issuer may also comply with any requirement to provide reports or financial statements under this covenant by providing any report or financial statements of a direct or indirect Parent of the Issuer (if such entity is different from the Issuer) so long as such reports (if an annual or quarterly report) (a) meet the requirements (including as to content and time of delivery) of clause (1) and (2) of this covenant as if references to the Issuer therein were references to such Parent and (b) include condensed consolidated financial information together with separate columns for: (i) such Parent; (ii) the Issuer and the Restricted Subsidiaries on a combined basis; (iii) any other Subsidiaries of the Issuer on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts. Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Any reports in respect of periods ending prior to the Completion Date shall only be as to the Issuer, and shall not be required to provide any information regarding the Fedrigoni Group.

Additionally, 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 (or one or more of the equivalent regulated markets of the Milan Stock Exchange, the Frankfurt Stock Exchange or the Paris Stock Exchange) and the Issuer or such Parent or IPO Entity is subject to the Admission and Disclosure Standards applicable to issuers of equity securities admitted to trading on the Main Market of the London Stock Exchange (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets of the Milan Stock Exchange, the Frankfurt Stock Exchange or the Paris Stock Exchange), 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 the London Stock Exchange pursuant to such Admission and Disclosure Standards (or the applicable standards of one or more of the equivalent regulated markets of the Milan Stock Exchange, the Frankfurt Stock Exchange or the Paris Stock Exchange, as applicable). 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, or one or more of the equivalent regulated markets of the Milan Stock Exchange, the Frankfurt Stock Exchange or the Paris Stock Exchange, as applicable, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Delivery of any information, documents and reports to the Trustee pursuant to this "Reports" covenant is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture.

All reports provided pursuant to this "Reports" covenant shall be made in the English language.

Merger and Consolidation

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease, sell or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "Successor Issuer") will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in a 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 Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer 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 Issuer or the Successor Issuer, as applicable, would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—Limitation on Indebtedness" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer or the Successor Issuer, as applicable, shall have delivered to the Trustee (a) an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the terms of the Indenture and (b) an Opinion of Counsel to the effect that in the case of the Successor Issuer, such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee); provided that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

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 Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor Person 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 Guarantors

No Guarantor (other than a Guarantor whose Notes Guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition) will, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease, sell or otherwise dispose of all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) the other Person is the Issuer or, in the case of a Guarantor, any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease, sell or other disposition;

(2) (a) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantors under their respective Notes Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantors under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable (such resulting, surviving or transferee Person, the "Successor Guarantor"); and (b) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(3) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture.

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 the Issuer or 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 the Issuer or a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) 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; (iv) the Post-Completion Merger; and (v) 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) and (4) under the heading "—The Issuer" or clauses (1) through (3) under the heading "—The Guarantors," as the case may be, shall apply to any such transaction.

Completion of the Post-Completion Merger

The Issuer shall use its commercially reasonable efforts, and shall cause Fedrigoni to use its commercially reasonable efforts (in each case without incurring material cost and without an adverse impact on relationships with third parties), to implement the Post-Completion Merger on terms complying with Section 2501-bis (et seq.) of the Italian Civil Code following, and in any event no later than 19 months, following the Completion Date.

The Indenture provides or will provide that each Holder, by accepting a Note, will be deemed to agree, for the purposes of Section 2503-bis (et seq.) of the Italian Civil Code, to the consummation of the Post-Completion Merger and the assumption by Fedrigoni MergerCo of all obligations of the Issuer in respect of the Notes, the Indenture, the Intercreditor Agreement and any relevant Security Documents, in accordance with the terms of the Indenture, upon completion of the Post-Completion Merger.

Limitation on Activities of HoldCo

HoldCo shall not trade, carry on any business, own any assets or incur any liabilities other than:

(1) the ownership of shares of the Issuer and any finance subsidiary issuer of Indebtedness (provided that such finance subsidiary shall not trade, carry on any business, own any assets or incur any liabilities other than those which HoldCo is permitted under this covenant);

(2) making an investment in the Issuer in the form of Subordinated Shareholder Funding, loans of Indebtedness to the Issuer or purchases of Capital Stock of the Issuer or otherwise contributed to the equity of the Issuer;

(3) the provision of services substantially similar to those provided to the Fedrigoni Group prior to the Fedrigoni Acquisition Closing Date by Fedrigoni and the provision of other headquarters services, administrative services (including treasury services and cash-pooling arrangements and group chief financial officer functions), legal, accounting, marketing, procurement and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries (including being actively involved in the management decisions of its Subsidiaries, such as (i) issuing general strategic guidelines, (ii) providing guidance on extraordinary transactions such as mergers, acquisitions, disposals of assets and investments and (iii) monitoring the performance of its Subsidiaries) and the ownership of assets and the incurrence of liabilities necessary to provide such services;

(4) (a) Incurring Indebtedness, Guarantees of Indebtedness and subordinated shareholder funding (including, in each case, activities reasonably incidental thereto, including performance of the terms and conditions of such Indebtedness or subordinated shareholder funding, to the extent such activities are otherwise permissible under the Indenture and the Notes); and (b) the granting of Liens permitted under the covenant set forth under "Limitation on Liens";

(5) rights and obligations arising under the Indenture, the Notes, the Notes Guarantees, the Revolving Credit Facility and the Intercreditor Agreement, any Indebtedness Incurred by it and any agreement pursuant to which Refinancing Indebtedness in relation to such Indebtedness is Incurred by the Issuer or the Restricted Subsidiaries and other ancillary documents or instruments related thereto, including liabilities under any "parallel debt" obligations under the Indenture, the Notes, the Notes Guarantees, the Revolving Credit Facility, the Intercreditor Agreement or any security document in respect of Permitted Liens or Permitted Collateral Liens, or any Liens Incurred in accordance with the covenant set forth under "—Limitation on Liens" or any other agreement existing on the Original Notes Issue Date to which it is a party;

(6) the ownership of (i) cash and Cash Equivalents, (ii) other property, in each case to the extent contributed substantially concurrently to a Parent to the extent such contribution is not prohibited by the terms of the Indenture and (iii) assets owned by it on the Original Notes Issue Date;

(7) paying dividends, making distributions and other payments, including the servicing, purchase, redemption or retirement of subordinated shareholder funding, to direct shareholders (a) to the extent funded out of the proceeds received from the Issuer pursuant to a payment made by it in accordance with the terms of the Indenture, the Notes Guarantees or the Intercreditor Agreement, and (b) with the proceeds of any Indebtedness Incurred pursuant to clause (4) of this covenant, and in each case as permitted or not prohibited under the Indenture, the Notes, the Revolving Credit Facility, the Intercreditor Agreement and any other security documents to which HoldCo is a party for the pledge of assets permitted to be secured under the Indenture, the Notes or the Revolving Credit Facility;

(8) directly related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries corporate existence;

(9) pursuant to or in connection with the Transactions or the Post-Completion Merger;

(10) (a) the listing of its Capital Stock, the Capital Stock of the Issuer or the Capital Stock of any Restricted Subsidiary and the issuance, offering and sale of its Capital Stock, the Capital Stock of the Issuer or the Capital Stock of any Restricted Subsidiary (including in a Public Offering), including compliance with applicable regulatory and other obligations in connection therewith, (b) using the net cash proceeds of such issuance, or exchanging or converting such instruments, to fund the purchase, repurchase or redemption of, any Indebtedness or other equity or debt instrument of HoldCo or the Issuer, or to contribute to the common equity of the Issuer, to the extent permitted or not prohibited by the Indenture, the Notes, the Revolving Credit Facility and the Intercreditor Agreement; and (c) any purchase, repurchase, redemption, or the performance of the terms and conditions of, and exercise of rights in respect of, the foregoing, to the extent such activities are otherwise permitted or not prohibited by the Indenture, the Notes, the Revolving Credit Facility, the Intercreditor Agreement and the relevant Security Documents, in each case, in relation to transactions authorized or not prohibited by the Indenture, the Notes, the Revolving Credit Facility and the Intercreditor Agreement;

(11) conducting activities directly related or reasonably incidental to any Initial Public Offering or Equity Offering, including the maintenance of any listing of equity interests issued by any IPO Entity;

(12) making investments in any Indebtedness;

(13) any liabilities or obligations in connection with any employee or participation scheme operated by HoldCo, including any management equity plan, incentive plan or other similar scheme operated by, for the benefit of, on behalf of or in respect of HoldCo, the Issuer or any Restricted Subsidiary (and/or any current or past employees, directors or members of management thereof and any related corporate entity established for such purpose);

(14) the sale, conveyance, transfer, lease or disposition (i) of all or substantially all of its assets, but only to the extent (a) that such sale, conveyance, transfer, lease or disposition would be permitted by the covenant set forth under "—Merger and Consolidation—The Issuer" substituting HoldCo for the Issuer, mutatis mutandis (other than in respect of clause (4)(b) of such covenant) and (b) any resulting release and retaking of any Security Interest with respect to the Collateral in connection therewith complies with the covenant set forth under "—Impairment of Security Interest" or (ii) of its assets other than the shares of the Issuer or any Indebtedness owed by the Issuer to HoldCo (except as otherwise permitted by this covenant); and

(15) other activities not specifically enumerated above that are de minimis in nature.

Impairment of Security Interest

Neither HoldCo nor the Issuer shall, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and neither HoldCo nor the Issuer shall, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) HoldCo, the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of Incurring Permitted Collateral Liens, (ii) HoldCo, the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of undertaking a Permitted Reorganization or a transaction not prohibited by the covenant set forth under "—Merger and Consolidation," (iii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, error or inconsistency therein and (v) HoldCo, Issuer and the Restricted Subsidiaries may amend the Security Interests in any manner that does not adversely affect Holders in any material respect; provided, however, that in the case of clause (i), (ii) or (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (a) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole (as applicable), after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (b) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the Issuer or the relevant Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (c) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement.

In the event that the Issuer complies with the requirements of this covenant, each of the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness of the Issuer or a Guarantor Incurred pursuant to a Credit Facility (including, for the avoidance of doubt, the Revolving Credit Facility) or any Public Debt unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee; provided, however, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Notes Guarantee would be inconsistent with the Agreed Security Principles or may reasonably be expected to 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 restrictions) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or shareholders of such Restricted Subsidiary; 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 Notes 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 "The Notes Guarantees—Notes Guarantees Release." 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 (1) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Original Notes 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 (2) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Original Notes 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 each of the Trustee and the Security Agent being indemnified and secured to its satisfaction.

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

Additional Intercreditor Agreements

The Indenture provides or will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or the Restricted Subsidiaries of any (x) Indebtedness permitted pursuant to the first paragraph of the covenant described under "—Limitation on Indebtedness" or clause (1), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "—Limitation on Indebtedness" and (y) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "Additional Intercreditor Agreement") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interests; provided that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the

Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also provides or 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, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries 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. In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. 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," 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.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Original Notes 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) "—*Limitation on Sales of Assets and Subsidiary Stock*";

(6) the provisions of clause (3) of the covenant described under "—*Merger and Consolidation—The Issuer*";

(7) "—*Impairment of Security Interest*"; and

(8) the second, third and fourth paragraphs of the definition of "*Unrestricted Subsidiary*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The covenant set forth under "—Limitation on Restricted Payments" and the second, third and fourth paragraphs of the definition of "Unrestricted Subsidiary" 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 of the Issuer and the Restricted Subsidiaries Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Original Notes 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."

Furthermore, (a) any transactions prohibited by the covenant set forth under "—Limitation on Affiliate Transactions" entered into after the Reversion Date pursuant to an agreement entered into during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (6)(ii) of the second paragraph of the covenant set forth under "—Limitation on Affiliate Transactions," and (b) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (A) through (C) of the first paragraph of the covenant described under "—Limitation on Restrictions on Distributions from Restricted Subsidiaries" that becomes effective during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (1)(c) of the second paragraph of the covenant set forth under "—Limitation on Restrictions on Distributions from Restricted Subsidiaries."

In addition, the Indenture also permits or will 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 Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any knowledge of the ratings of the Notes and shall have no duty to notify Holders if the Notes achieve an Investment Grade Status or upon the occurrence of the Reversion Date. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption have been satisfied, provided that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. The Trustee shall not be obliged to notify Holders of a Suspension Event or, if applicable, upon the occurrence of a Reversion Date.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Financial Calculations in Respect of Transactions

When calculating the availability under any basket or ratio under the Indenture applicable in connection with any transaction (including, for the avoidance of doubt and without limitation, any Incurrence or assumption of Indebtedness or Liens, the making of any Restricted Payment, Permitted Payment or Investment, any Asset Disposition, any acquisition, merger, consolidation, amalgamation or other business combination and any transaction requiring the testing of any basket based on the Consolidated EBITDA of the Issuer), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such transaction are entered into, and such baskets or ratios shall be calculated with such pro forma adjustments as are appropriate and consistent with the pro forma provisions set forth in the definition of Fixed Charge Coverage Ratio and Consolidated Net Leverage Ratio after giving effect to such transaction and other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they 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 arising from an asset or a target company subject to such transaction) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions; provided that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction. To the extent the date of determination of a basket or ratio is tested prior to the date of consummation of a transaction, such basket or ratio shall be deemed utilized to the same extent until the earlier of the date of consummation of such transaction or the date such transaction is terminated or expires without consummation, except that in the case of an acquisition, merger or consolidation, any calculation of Consolidated EBITDA for purposes other than Incurrences of Indebtedness or Liens or the making of Restricted Payments (not related to such acquisition, merger or consolidation) shall not reflect such transaction until it has been consummated.

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 acceleration or otherwise;

(3) failure by the Issuer or, solely in connection with the covenants described under "Certain Covenants—Limitation on Liens," "Certain Covenants—Limitation on Activities of HoldCo" and "Certain Covenants—Impairment of Security Interest," HoldCo, to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Notes with their respective other agreements contained in the Indenture;

(4) the occurrence of any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is Guaranteed by the Issuer or any Restricted Subsidiary) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Original Notes 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 the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €30.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of HoldCo, the Issuer, a Significant Subsidiary or a group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary (the "bankruptcy provisions");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €30.0 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) 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 ten days; and

(8) any Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for ten 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 30% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee, by notice to the Issuer or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee (subject to certain conditions) at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders 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 not less than a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any, on any Note held by a non-consenting Holder (which may only be waived with the consent of Holders holding 90% of the aggregate principal amount of the Notes outstanding under the Indenture)) 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 and, if requested, the Trustee has received, customary indemnification and/or security satisfactory to the Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee indemnity and/or security 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 such indemnity and/or security; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of not less than a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture provides or will provide that, in the event an Event of Default has occurred and is continuing of which a responsible officer of the Trustee is aware, 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 customary indemnification and/or security satisfactory to the Trustee against all losses, liabilities and expenses (including legal fees) caused by taking or not taking such action. The Indenture provides 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 (beginning with the first fiscal year ending after the Original Notes Issue Date), an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture provides or will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "Initial Default") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed under "Certain Covenants—Reports" or otherwise to deliver any notice or certificate pursuant to any other provision of this Indenture shall be deemed to be cured upon the delivery of any such report required by such provision or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture provides or will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, 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, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any 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 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 institute suit for the enforcement of any payment of principal of, or interest or Additional Amounts on, if any, such Holder's Notes on or after the due dates therefor;

(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 Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, on 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; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee and the Security Agent 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 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 provision described under "Certain Covenants—Limitation on Indebtedness" or "Certain Covenants—Additional Guarantees," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any 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 or the Notes to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or the Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a 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 Original Notes 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 provisions described under "Certain Covenants—Impairment of Security Interest" is complied with; or

(10) as provided in "Certain Covenants—Impairment of Security Interest" and "—Additional Intercreditor Agreements."

In formulating its decision on such matters, the Trustee shall be entitled to receive 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.

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by subsections (3) and (6) in respect of providing for a Notes Guarantee, it shall only be necessary for the supplemental indenture or Notes Guarantee of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

The Indenture does not contain or will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

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 controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor 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 Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate the obligations of it and the Restricted Subsidiaries 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 Significant Subsidiaries, the judgment default provision, the guarantee provision (other than in respect of the Issuer) and the security default provision described under "Events of Default" ("covenant defeasance").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "Certain Covenants—Merger and Consolidation"), (4), (5) (with respect only to Significant Subsidiaries), (6), (7) or (8) under "Events of Default."

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, 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, subject to customary assumptions and exclusions, 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 after the date hereof);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

(4) 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 Paying Agent for cancellation; or (b) all Notes not previously delivered to the 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 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 or appointed (as agent) 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 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 both the Paying Agent and the Trustee under the Indenture to apply the deposited money toward the payment of such 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 as to such Notes, 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)).

Meetings of Holders

All meetings of Holders of each series of the Notes will be held in accordance with applicable Italian laws and regulation. 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 includes provisions for the convening of meetings of the Holders 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 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 (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 contractually increases 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 New Notes, the Guarantees and the Security Interests—The Issuer may amend the economic terms and conditions of the New Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes." Any resolution duly passed at any such meeting shall be binding on all the Holders, 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 provides or will provide that the provisions described under this "—Meetings of Holders" 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 "—Meetings of Holders" must also comply with the other provisions described under "—Amendments and Waivers."

Security Agent

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Original Notes 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 Original Notes Issue Date of BNP Paribas, Italian Branch, as legal representative (rappresentante) pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code (the "Noteholders' Representative") in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the

Indenture, each holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of BNP Paribas, Italian Branch, as Noteholders' Representative.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, any Parent HoldCo or any Subsidiaries or Affiliates of the Issuer, 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

U.S. Bank Trustees Limited is to be appointed as Trustee under the Indenture. The Indenture provides or will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. Furthermore, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered to the Trustee, and the Trustee has received, customary protection and indemnification.

The Indenture imposes or 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 or any Agent will be permitted to engage in other transactions with the Issuer, its Subsidiaries and Affiliates.

The Indenture sets out or 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 actual knowledge of a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture contains provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses (including legal fees) Incurred without gross negligence, willful default 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 Euronext Dublin and the rules of Euronext Dublin so require, notices of the Issuer with respect to the Notes will be published on the website of Euronext Dublin (www.ise.ie). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may instead be published in a leading newspaper of general circulation in Ireland (which is expected to be the Irish Times) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; provided that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

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 six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Notes Guarantees, 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 (as applicable), the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes 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 New Notes on the Official List of Euronext Dublin and to admit the New Notes to trading on the Global Exchange Market thereof. There can be no assurance that the application to list the New Notes on the Official List of Euronext Dublin and to admit the New Notes on the Global Exchange Market will be approved and settlement of the New Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes Guarantees and the Notes, the Issuer in the Indenture and each Guarantor in its respective supplemental indenture have irrevocably submitted to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture provides or will provide that the Issuer and each Guarantor, will appoint CT Corporation System, as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder, are governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of England.

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 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*" means the acquisition of share capital of Fedrigoni by the Issuer pursuant to the Fedrigoni Acquisition Agreement, which closed on the Completion Date.

"*Acquisition Agreement*" means the sale and purchase agreement dated as of December 22, 2017, by and among certain sellers identified therein and the Issuer with respect to 99.99945% of the share capital of Fedrigoni.

"*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 Agreement, as of the Original Notes Issue Date, as applied mutatis mutandis with respect to the Notes in good faith by the Issuer.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares or Capital Stock of the Issuer or a Subsidiary of the Issuer (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction; provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer will constitute a default under "Certain Covenants—Merger and Consolidation" unless the conditions described therein are met. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

(1) a disposition by the Issuer to a Restricted Subsidiary or by a Restricted Subsidiary to the Issuer or another Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer or the Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "Certain Covenants—Merger and Consolidation" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved or ratified by the Board of Directors of the Issuer or such Restricted Subsidiary or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors of the Issuer) of no more than €15.0 million;

(8) (a) any Restricted Payment which is permitted to be made, and is made, under the covenant described above under "Certain Covenants—Limitation on Restricted Payments," (b) the making of any Restricted

Payment, Permitted Payment or Permitted Investment or (c) asset sales, leases, transfers or other dispositions to the extent the proceeds thereof are used within 180 days of receipt of such proceeds to make Restricted Payments, Permitted Payments or Permitted Investments;

(9) the granting of Liens not prohibited pursuant to the conditions described above under "Certain Covenants—Limitation on Liens";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of a Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with (i) any Qualified Receivables Financing, (ii) any Receivables Financing that would not be prohibited under clause 12(b) under the second paragraph of "Certain Covenants—Limitation on Indebtedness" or (iii) any factoring transaction or otherwise in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by any Restricted Subsidiary to such Person; provided, however, that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors of the Issuer, the outsourcing transaction will be economically beneficial to such Restricted Subsidiary (considered as a whole);

(19) an issuance or sale by a Restricted Subsidiary of Preferred Stock or redeemable Capital Stock that would not be prohibited under "Certain Covenants—Limitation on Indebtedness";

(20) any disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements;

(21) any disposition with respect to property built, owned or otherwise acquired by any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; and

(22) the unwinding of any Cash Management Services or Hedging Obligations.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under "Certain Covenants—Limitation on Restricted Payments," the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or such portion thereof) as an Asset Disposition and/or one of more of the types of Permitted Investments or Investments permitted under "Certain Covenants—Limitation on Restricted Payments."

"*Associate*" means (i) any Person engaged in a Similar Business of which one or more Restricted Subsidiaries is the legal and beneficial owner of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by any Restricted Subsidiary.

"*Board of Directors*" means with respect to (1) the Issuer or its board of directors as a group; (2) or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (3) any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (4) 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 or ratification of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved or ratified, as the case may be, by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval or ratification is taken as part of a formal board meeting or as a formal board approval or ratification).

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, New York, New York or London, United Kingdom are authorized or required by law to close.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Original Notes Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar or other recognized time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-2" or the equivalent thereof (or has an equivalent long-term rating) by S&P or at least "P-2" or the equivalent thereof (or has an equivalent long-term rating) by Moody's or at least "F2" or the equivalent thereof (or has an equivalent long-term rating) by Fitch (or if at the time none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P, at least "P-2" or the equivalent thereof by Moody's or at least "F2" or the equivalent thereof by Fitch or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization if the three named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by the United States of America, any state of the United States of America, Canada, any province of Canada, any member of the European Union, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Fitch, Moody's or S&P (or, if at the time, none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) 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 twelve months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) 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 (7) above.

"Cash Management Services" means any of the following: automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services and/or cash management services, including controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements in the ordinary course of business or consistent with past practice.

"Change of Control" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Original Notes Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Original Notes Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer to a Person, other than a Restricted Subsidiary 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 (i) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer's Voting Stock immediately prior to that transaction or immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of the holding company, and (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner.

"*Clearstream*" means Clearstream Banking, société anonyme, 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 Original Notes Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Notes Guarantee.

"*Commodity Hedging Agreement*" means, with respect to any Person, any commodity price protection agreement, commodity price future agreement, commodity price option agreement, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity price option agreement or similar agreement or arrangements to which such Person is party or a beneficiary providing for the transfer or mitigation of commodity price risks either generally or under specific contingencies.

"*Completion Date*" means April 16, 2018.

"*Consolidated Depreciation and Amortization Expense*" means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including amortization or write-off of (i) intangibles and non-cash organization costs, (ii) deferred financing fees or costs and (iii) capitalized expenditures, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of OID resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such Person and its Subsidiaries that are Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with IFRS and any write down of assets or asset value carried on the balance sheet.

"*Consolidated EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period:

(1) increased (without duplication) by:

(a) provision for taxes based on income or profits, revenue or capital, including federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes of such Person paid or accrued during such period, including any penalties and interest relating to any tax examinations (including any additions to such taxes, and any penalties and interest with respect thereto), deducted (and not added back) in computing Consolidated Net Income; plus

(b) Fixed Charges of such Person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities), plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses through (iii), in each case, to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; plus

(c) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; plus

(d) any (x) Transaction Expenses and (y) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred under the Indenture (including a refinancing thereof) (whether or not successful), in each case, including (i) such fees, expenses or charges (including rating agency fees and related expenses) related to the offering of the Notes, the Revolving Credit Facility, the offering of any other debt securities, any other Credit Facility and any Receivables Fees, and (ii) any amendment, waiver or other modification of the Notes, the Revolving Credit Facility, the Intercreditor Agreement, any Security Documents, Receivables Financings, any other Credit Facility, any other Indebtedness permitted to be Incurred under the Indenture or any Equity Offering, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income; plus

(e) (i) the amount of any restructuring charge, accrual or reserve (and adjustments to existing reserves), integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs Incurred in connection with acquisitions or divestitures after the Original Notes 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 and closure and/or consolidation of facilities 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; plus

(f) any other non-cash charges, write-downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the impact of purchase accounting; provided that if any such non-cash charge, write-down or item to the extent it represents an accrual or reserve for a cash expenditure for a future period then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid or other items classified by the Issuer as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period); plus

(g) the amount of board of director fees, management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to any member of the Board of Directors of the Issuer, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted under "Certain Covenants—Limitation on Affiliate Transactions"; plus

(h) the "run rate" cost savings, operating expense reductions, restructuring charges and expenses and synergies that are expected (in good faith) to be realized as a result of actions taken or expected to be taken after the date of any acquisition (including the Transactions), disposition, divestiture, restructuring or the implementation of a cost savings or other similar initiative or related to information and technology system establishment, modernization or modification, as applicable (calculated on a pro forma basis as though such cost savings, operating expense reductions, restructuring charges and expenses and synergies had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such actions (which adjustments, without double counting, may be incremental to pro forma adjustments made pursuant to the definition of "Fixed Charge Coverage Ratio"); provided that no cost savings, operating expense reductions, restructuring charges and expenses or synergies shall be added pursuant to this defined term to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a pro forma adjustment or otherwise, for such period; plus

(i) the amount of loss or discount on sale of Receivables Assets and related assets to a Receivables Subsidiary in connection with a Qualified Receivables Financing or Receivables Financing; plus

(j) any costs or expense Incurred by the Issuer or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Issuer or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth in clause (c) of the second paragraph under "Certain Covenants—Limitation on Restricted Payments"; plus

(k) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (2) below for any previous period and not added back; plus

(l) any net loss included in the Consolidated Net Income attributable to non-controlling interests; plus

(m) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Issuer and the Restricted Subsidiaries; plus

(n) net realized losses from Hedging Obligations or embedded derivatives; plus

(o) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary, and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto; plus

(p) with respect to any joint venture, an amount equal to the proportion of those items described in clauses (a) and (c) above relating to such joint venture corresponding to the Issuer's and the Restricted Subsidiaries' proportionate share of such joint venture's Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) to the extent the same was deducted (and not added back) in calculating Consolidated Net Income; plus

(q) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; plus

(r) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost), and any other items of a similar nature; plus

(s) the amount of expenses relating to payments made to option holders of the Issuer or any Parent in connection with, or as a result of, any distribution being made to equityholders of such Person or its Parents, which payments are being made to compensate such option holders as though they were equityholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Indenture; plus

(t) to the extent not already otherwise included herein, adjustments and add-backs made in calculating "Pro Forma Adjusted EBITDA" for the year ended December 31, 2017, included in the Original Notes Offering Memorandum; plus

(u) earn out obligations Incurred in connection with any permitted acquisition or other Investment permitted under the Indenture and paid or accrued during such period; plus

(v) losses, charges and expenses related to the pre-opening and opening of new facilities, and start-up period prior to opening, that are operated, or to be operated, by the Issuer or any Restricted Subsidiary; and

(2) decreased (without duplication) by non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period.

For purposes of calculating Consolidated EBITDA for the purpose of any basket or ratio under the Indenture, Consolidated EBITDA shall be the Consolidated EBITDA of the Issuer measured for the period of the most recently completed four full consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case with such pro forma adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such four fiscal quarters and as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio."

"Consolidated Interest Expense" means, for any Person for any period (in each case, determined on the basis of IFRS), the consolidated net interest income (expense) of such Person and its Restricted Subsidiaries, whether paid or accrued, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (as applicable), plus (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of OID (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses) and any other consideration given by the Issuer or the Restricted Subsidiaries during the relevant period, and relating to that period, in connection with any acceptance credit, bill discounting debt factoring or other similar arrangement;

(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 such Person and all Preferred Stock of any Restricted Subsidiary of such Person, to the extent held by Persons other than such Person or a Restricted Subsidiary of such Person, 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 the Board of Directors of the Issuer;

(6) interest capitalized in the relevant period and not recorded as interest expense in such period; and

(7) cash interest actually paid by such Person 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 and depreciation charges in respect of interest capitalized in a period following the Original Notes Issue Date, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS and (iv) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Indebtedness, which is included in interest expense under IFRS.

"*Consolidated Net Income*" means, with respect to any Person for any period, the net income (loss) of such Person and its Subsidiaries that are Restricted Subsidiaries for such period determined on a consolidated basis on the basis of IFRS after any reduction in respect of Preferred Stock dividends; provided, however, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary (including any net income (loss) from Investments recorded in such Person under the equity method of accounting), except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that (as reasonably determined by an Officer of the Issuer) could have been distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); provided that, for the purposes of clause (c) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Restricted Payments," such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under the definition of "Permitted Investments";

(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 the Issuer and the Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's articles, 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 Revolving Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Notes or the Indenture and (c) restrictions specified in clause (11)(b) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries") except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary 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 gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized upon the sale or other disposition of any asset (including pursuant to any Sale and Leaseback Transaction) or disposed or discontinued operations of the Issuer or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense, including Transaction Expenses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance expense or relocation costs, one-time compensation charges, integration and facilities' opening costs and other business optimization expenses and operating improvements (including related to new product introductions), systems development and establishment costs, accruals or reserves (including restructuring and integration costs related to acquisitions after the Original Notes Issue Date and adjustments to existing reserves), whether or not classified as restructuring expense on the consolidated financial statements, signing costs, retention or completion bonuses, transition costs, costs related to closure/consolidation of facilities, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employee benefit plans (including any settlement of pension liabilities), contract terminations and professional and consulting fees Incurred with any of the foregoing;

(5) the cumulative effect of a change in law, regulation or accounting principles at any time following the Original Notes Issue Date;

(6) any (i) non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions or on the re-valuation of any benefit plan obligation and (ii) income (loss) attributable to deferred compensation plans or trusts;

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of any Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in

earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;

(9) any fees and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Completion Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;

(10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(11) any unrealized or realized gain or loss due solely to fluctuations in currency values and the related tax effects, determined in accordance with IFRS;

(12) any recapitalization accounting or purchase accounting effects, including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition (including in connection with the Transactions), or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(13) any impairment charge, write-off or write-down, including impairment charges, write-offs or write-downs related to intangible assets, long-lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to IFRS;

(14) any effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;

(15) accruals and reserves that are established or adjusted (including any adjustment of estimated payouts on existing earn-outs) that are so required to be established as a result of the Transactions in accordance with IFRS, or changes as a result of adoption or modification of accounting policies;

(16) any costs associated with the Transactions;

(17) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures and any deferred tax expense associated with tax deductions or net operating losses arising as a result of the Transactions, or the release of any valuation allowances related to such item;

(18) any (i) payments to third parties in respect of research and development, including amounts paid upon signing, success, completion and other milestones and other progress payments, to the extent expensed and (ii) effects of adjustments to accruals and reserves during a period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks (including government program rebates);

(19) any net gain (or loss) from disposed, abandoned or discontinued operations and any net gain (or loss) on disposal of disposed, discontinued or abandoned operations; and

(20) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Subsidiaries that are Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only to the extent that such amount is (A) not denied by the applicable payor in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days) and (ii) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (A) not denied by the applicable carrier in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption.

"Consolidated Net Leverage" means, without double-counting, the sum of the aggregate outstanding Indebtedness and the Reserved Indebtedness Amount of the Issuer on a consolidated basis (excluding Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the Board of Directors of the Issuer) and (y) Indebtedness with respect to Cash Management Services), less the sum (which shall in no case be less than zero) of the aggregate amount of cash and Cash Equivalents that would be stated on the balance sheet of the Issuer as of such date in accordance with IFRS.

"Consolidated Net Leverage Ratio" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the Consolidated EBITDA of the Issuer; provided, however, that the pro forma calculation shall not give effect to (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under "Certain Covenants—Limitation on Indebtedness" (other than Indebtedness Incurred pursuant to clauses 5(II) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness") or (ii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "Certain Covenants—Limitation on Indebtedness" (other than the discharge of Indebtedness using proceeds of Indebtedness Incurred pursuant to clause (5)(II) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness").

"Consolidated Senior Secured Net Leverage Ratio" means the Consolidated Net Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness and the Reserved Indebtedness Amount that, upon Incurrence, would not constitute Senior Secured Indebtedness.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, 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.

"Cordenons" means Gruppo Cordenons S.p.A.

"Cordenons Acquisition Closing Date" means the date on which the acquisition by Bianco Bidco of all of the issued and outstanding share capital of Cordenons is consummated.

"Cordenons Bridge Facility" means the €125.0 million senior secured bridge facilities made available under a bridge facilities agreement dated as of July 5, 2018, among, inter alios, the Issuer and the lenders as defined therein.

"Credit Facility" means, with respect to the Issuer or any Restricted Subsidiary, one or more debt facilities, arrangements, instruments, trust deeds or indentures (including the Revolving Credit Facility Agreement or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, performance guarantees, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement or arrangement to which such Person is a party or beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Non-Cash Consideration" means the fair market value (as determined in good faith by the Board of Directors of the Issuer) of non-cash consideration received by the Issuer or one or more Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the conditions described under "Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock."

"Designated Preference Shares" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) and (c)(iii) of the second paragraph of covenant described under "Certain Covenants—Limitation on Restricted Payments."

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption would not be prohibited under "Certain Covenants—Limitation on Restricted Payments." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"Equity Offering" means (x) a sale of Capital Stock of the Issuer or a Parent HoldCo (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, in each case 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 Excluded Contributions) of the Issuer or any of the Restricted Subsidiaries.

"Escrowed Proceeds" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"Euroclear" means Euroclear Bank SA/NV or any successor securities clearing agency.

"European Government Obligations" means any security denominated in euro that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another Nationally Recognized Statistical Rating Organization on the Original Notes Issue Date, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"Excluded Contribution" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Original Notes Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, 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.

"Fedrigoni" means Fedrigoni S.p.A. and its successors and assigns.

"Fedrigoni Group" means Fedrigoni and its Subsidiaries from time to time.

"Fedrigoni Merger Date" means the earlier of (i) the date on which the Fedrigoni Post-Completion Merger is to be effected between the Issuer and Fedrigoni, as described under "The Transactions" in the New Notes Offering Memorandum and (ii) the date falling 19 months after the Completion Date.

"Fedrigoni Post-Completion Merger" means the merger of the Issuer with Fedrigoni, as described under "The Transactions" in this New Notes Offering Memorandum, or any other form of merger which will be resolved upon by and exclusively involve the Issuer and Fedrigoni, following the completion of the Acquisition.

"Fitch" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Fixed Charge Coverage Ratio" means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person to the Fixed Charges of such Person for the most recently-completed four full consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements are available (the "reference period"). In the event that the Issuer or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the reference period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Fixed Charge Coverage Ratio Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, deemed Incurrence, assumption, Guarantee, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four fiscal quarters; provided, however, that the pro forma calculation shall not give effect to: (i) any Fixed Charges attributable to Indebtedness Incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under "Certain Covenants—Limitation on Indebtedness" (other than Fixed Charges attributable to Indebtedness Incurred pursuant to clause (5)(II) of the second paragraph thereof) or (ii) Fixed Charges attributable to any Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described under the second paragraph under "Certain Covenants—Limitation on Indebtedness" (other than Fixed Charges attributable to Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date using proceeds of Indebtedness Incurred pursuant to clause (5)(II) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness").

For purposes of making the computation referred to above, any Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed operations that have been made by the Issuer or any of the Restricted Subsidiaries, during the reference period or subsequent to the reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged or amalgamated with or into the Issuer or any of the Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed operation had occurred at the beginning of the reference period.

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculations shall be made in good faith by a responsible financial or chief accounting officer of the Issuer (and may include cost savings and synergies). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire reference period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the reference period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate.

"Fixed Charges" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Disqualified Stock or Preferred Stock payable to the Issuer or a Restricted Subsidiary; plus

(3) Fixed Charges that would have arisen from the Reserved Indebtedness Amount had such Reserved Indebtedness Amount been incurred as of the date of its classification as a Reserved Indebtedness Amount.

"Guarantee" means any guarantee (including any Notes Guarantee) or obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantors" means any Restricted Subsidiary that Guarantees the Notes.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"Holder" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"Holding Company" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"IFRS" means International Financial Reporting Standards (formerly International Accounting Standards) ("IFRS") endorsed by the European Union or any variation thereof with which the Restricted Subsidiaries are required to comply as in effect on the Original Notes Issue Date, or, solely, with respect to the covenant described under the heading "Certain Covenants—Reports," as in effect from time to time.

"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," "Incurrence" and "Incurring" 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 not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligation, including accrued expenses owed, to a trade creditor), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the 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 Hedging Obligations (the amount of any such obligations to be equal at any time to the net payments under such agreement or arrangement giving rise to such obligation that would be payable by such Person at the termination of such agreement or arrangement),

with respect to clauses (1), (2), (4) and (5) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS.

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 OID and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(a) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, other than Guarantees or other assumptions of Indebtedness;

(b) Cash Management Services;

(c) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Original Notes Issue Date or any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;

(d) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Original Notes Issue Date or in the ordinary course of business or consistent with past practice;

(e) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;

(f) 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;

(g) obligations under or in respect of Qualified Receivables Financings;

(h) Indebtedness of any Parent appearing on the balance sheet of the Issuer solely by reason of push down accounting under IFRS;

(i) Capital Stock (other than Disqualified Stock of the Issuer and Preferred Stock of a Restricted Subsidiary);

(j) 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"; and

(k) Subordinated Shareholder Funding.

"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 Investor" means any funds or limited partnerships managed or advised by Bain Capital Europe LLP or any of its Affiliates or direct or indirect Subsidiaries or any trust, fund, company or partnership owned, managed or advised by Bain Capital Europe LLP or any of its Affiliates or direct or indirect Subsidiaries or any entity controlled by all or substantially all of the managing directors of such fund or Bain Capital Europe LLP from time to time.

"Initial Public Offering" means an Equity Offering of common stock or other common equity interests of the Issuer, Fedrigoni, Fedrigoni MergerCo or any Parent or Restricted Subsidiary or any successor of the Issuer or any Parent or Restricted Subsidiary (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"Intercreditor Agreement" means the intercreditor agreement dated on or about the Original Notes Issue Date, by and among, inter alios, the Issuer, the Security Agent and the Trustee, as amended, restated or otherwise modified or varied from time to time.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; provided, however, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or a Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described under "Certain Covenants—Limitation on Restricted Payments."

For purposes of the "Certain Covenants—Limitation on Restricted Payments" section:

(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 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 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 member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P, "Baa3" or higher by Moody's or "BBB–" or higher from Fitch or the equivalent of such rating by such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Restricted Subsidiaries and the Issuer;

(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 be achieved when 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 Rating Organization.

"IPO Entity" has the meaning given to it in the definition of Initial Public Offering.

"IPO Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"Issuer" means Fabric (BC) S.p.A., a società per azioni incorporated under the laws of Italy and, subsequent to the Fedrigoni Post-Completion Merger, Fedrigoni MergerCo, or any other Successor Company in accordance with the Indenture.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Management Advances" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business and in accordance with past practice;

(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 €5.0 million in the aggregate outstanding at any time. "Management Investors" means (i) members of the management team of the Issuer, Fedrigoni or Fedrigoni's Subsidiaries who invest or commit to invest, directly or indirectly, in Fedrigoni, another Restricted Subsidiary or a Parent HoldCo on the Completion Date through a management equity program, (ii) persons who are or become members of the management team of the Issuer, Fedrigoni, Fedrigoni MergerCo or the Issuer's, Fedrigoni's or Fedrigoni MergerCo's Subsidiaries following the Completion Date (other than in connection with a transaction that would otherwise be a Change of Control if such persons were not included in the definition of "Permitted Holders") and who invest, directly or indirectly, in a Parent HoldCo, the Issuer, Fedrigoni, Fedrigoni MergerCo or the Issuer's, Fedrigoni's or Fedrigoni MergerCo's Subsidiaries through a management equity plan and (iii) any entity that may hold shares transferred by departing members of the management team of a Parent HoldCo, the Issuer, Fedrigoni, Fedrigoni MergerCo or the Issuer's, Fedrigoni's or Fedrigoni MergerCo's Subsidiaries for future redistribution to the management team of the Issuer, Fedrigoni, Fedrigoni MergerCo or the Issuer's, Fedrigoni's or Fedrigoni MergerCo's Subsidiaries. For the avoidance of doubt, the expression "management team" shall include, but not be limited to, any managers, officers and (executive and non-executive) directors of a Parent HoldCo, the Issuer, Fedrigoni, Fedrigoni MergerCo or the Issuer's, Fedrigoni's or Fedrigoni MergerCo's Subsidiaries.

"Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"Moody's" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Nationally Recognized Statistical Rating Organization" means a nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition (other than Capitalized Lease Obligations), 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 or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by 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).

"New Notes Issue Date" means July 25, 2018.

"New Notes Offering Memorandum" means this offering memorandum in relation to the New Notes.

"Notes Documents" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"Notes Guarantee" means a Guarantee of the Notes by a Guarantor.

"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.

"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 a Restricted Subsidiary.

"Original Notes Issue Date" means May 11, 2018.

"Original Notes Offering Memorandum" means the offering memorandum in relation to the Existing Notes.

"Parent" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Original Notes Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"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 any Restricted Subsidiary and the Issuer, 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 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 Restricted Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Restricted Subsidiaries or the Issuer;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses and administrative costs, including (a) professional fees and expenses, regulatory costs and other operational expenses of any Parent related to the ownership or operation of the business of any Restricted Subsidiaries or the Issuer (including in relation to expenses and costs of HoldCo, the activities described under "Certain Covenants—Limitation on Activities of

HoldCo"), (b) costs and expenses with respect to the ownership, directly or indirectly, of any Restricted Subsidiaries or the Issuer by any Parent, (c) any Taxes of any Parent to the extent arising from an investment in the equity interests or equity-like interests of such Parent, or shareholder loans extended to or by such Parent, in connection with the Transactions or another investment in any Restricted Subsidiaries or the Issuer, (d) 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 (e) 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 any Restricted Subsidiaries or the Issuer 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 €2.5 million in any fiscal year, plus (i) prior to the second anniversary of the Completion Date, management fees in an amount not to exceed €3.5 million per year and (ii) in each year following the second anniversary of the Completion Date, management fees in an amount not to exceed the greater of €3.5 million or 3% of Consolidated EBITDA of the Issuer per year;

(7) any Taxes, to the extent such Taxes are referable to the income of the Issuer or the Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent referable to the income of such Unrestricted Subsidiaries; provided, however, that the amount of such payments in any fiscal year do not exceed the amount that the Restricted Subsidiaries and the Issuer would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Restricted Subsidiaries and the Issuer; 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 shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"Parent HoldCo" means any Person of which the Issuer at any time is or becomes a Subsidiary, and any holding companies established by any Permitted Holder for the primary purpose of holding its investment in the Issuer or any other Parent HoldCo; provided that such Person is the owner, directly or indirectly, of at least a majority of the total voting power of the Voting Stock of the Issuer after giving effect to the Equity Offering relevant to such Person's status as a Parent HoldCo.

"Pari Passu Indebtedness" means (a) any Indebtedness of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Notes Guarantee of a Guarantor, any Indebtedness that ranks equally in right of payment with such Notes Guarantee.

"Paying Agent" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"Permitted Collateral Liens" means Liens on the Collateral:

(1) that are described in one or more of clauses (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(2) to secure:

(a) the Notes issued on the Original Notes Issue Date and any related Notes Guarantees;

(b) Indebtedness the Incurrence of which would not be prohibited under the first paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness"; provided that, in the case of this clause (ii), after giving effect to such Incurrence on the date thereof, the Consolidated Senior Secured Net Leverage Ratio does not exceed 3.75 to 1.0;

(c) Indebtedness described under clause (1) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness," which Indebtedness may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Original Notes Issue Date pursuant to the Intercreditor Agreement;

(d) Indebtedness described under clause (2) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness," to the extent Incurred by a Guarantor and to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(e) Indebtedness described under clause (5) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness"; provided that, in the case of clause (5)(II), after giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness on the date thereof, either (A) the Consolidated Senior Secured Net Leverage Ratio does not exceed 3.75 to 1.0 or (B) the Consolidated Senior Secured Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(f) Indebtedness described under clause (6) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness"; provided that Currency Agreements and Interest Rate Agreements entered into with respect to any Indebtedness, the Incurrence of which would not be prohibited under the covenant described under "Certain Covenants—Limitation on Indebtedness," that is not subordinated in right of payment to the Notes or the Notes Guarantees and that is permitted under the Indenture to be secured by a Permitted Collateral Lien which ranks pari passu with the Lien on the Collateral securing the Notes and the Notes Guarantees, may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Original Notes Issue Date pursuant to the Intercreditor Agreement;

(g) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness"; and

(h) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a), (b), (d), (e), (f) and (g) (other than in respect of clause (11) or (13) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness") and this clause (h); and

(3) Incurred in the ordinary course of business of any Restricted Subsidiary with respect to obligations that in total do not exceed €5.0 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of such Restricted Subsidiary's business,

provided, further, that in the case of (2) and (3) of this definition of Permitted Collateral Liens each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; provided, further, that all property and assets (including, without limitation, the Collateral) securing such Indebtedness (including any guarantees thereof) or Refinancing Indebtedness secure the Notes and the Indenture on a senior or pari passu basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (c) and (f) above.

"Permitted Holders" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Management Investor, (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (including any Persons mentioned in the following sentence, but excluding Persons specified in clause (4) who are not specified in clause (1), (2) or (3)) are members; provided that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors (or at least one of them) and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the voting Stock of the Issuer or any of their direct or indirect parent companies wholly owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"Permitted Investment" means (in each case, by a Restricted Subsidiary):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or (b) a Person (including the Capital Stock of any such Person) if such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person as a result of such Investment in such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments in connection with any Qualified Receivables Financing or Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to 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 Original Notes Issue Date, and, in each case, any extension, modification, restructuring or renewal of any such Investment; provided that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Original Notes Issue Date or (b) as otherwise permitted under the Indenture;

(10) Hedging Obligations, which transactions or obligations are Incurred to the extent they would not be prohibited under "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 €40.0 million or 33% of Consolidated EBITDA of the Issuer; 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 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;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens the Incurrence of which would not be prohibited under "Certain Covenants—Limitation on Liens";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (4), (6) or (14) the second paragraph of the covenant described under "Certain Covenants—Limitation on Affiliate Transactions";

(15) Guarantees of Indebtedness of the Issuer or any Restricted Subsidiary, the Incurrence of which would not be prohibited under "Certain Covenants—Limitation on Indebtedness" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in loans under the Revolving Credit Facility, the Notes (including any Additional Notes) and any future proceeds loan from the Issuer to a Restricted Subsidiary under an agreement and other Indebtedness of the Issuer or a Restricted Subsidiary permitted by the Indenture;

(17) Investments in joint ventures or a Similar Business, taken together with all other Investments made pursuant to this clause (17) 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 €30.0 million or 25% of Consolidated EBITDA of the Issuer; provided that, if an Investment is made pursuant to this clause (17) 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;

(18) Investments in Unrestricted Subsidiaries, taken together with all other Investments made pursuant to this clause (18) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €15.0 million or 13% of Consolidated EBITDA of the Issuer; provided that, if an Investment is made pursuant to this clause (18) 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

(19) any Investment arising in the ordinary course of business of the Issuer or a Restricted Subsidiary.

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 Investments, 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 a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor permitted by the covenant described under "Certain Covenants—Limitation on Indebtedness";

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; provided that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the 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 the Restricted Subsidiaries;

(7) Liens on assets or property of any Restricted Subsidiary (other than Collateral) securing (i) Hedging Obligations permitted under the Indenture and relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness 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;

(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 any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; provided that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (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 any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Original Notes Issue Date, after giving pro forma effect to the use of the proceeds of the Notes as described in the Original Notes Offering Memorandum;

(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 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 any Restricted Subsidiary), including Liens created, incurred or assumed in connection with, or in contemplation of such acquisition or transaction; provided, that such Liens are limited to 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 any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on (i) Receivables Assets Incurred in connection with a Qualified Receivables Financing or (ii) a Receivables Financing permitted under "Certain Covenants—Limitation on Indebtedness";

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(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 on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by a Restricted Subsidiary; (b) Liens over cash paid into an escrow account to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by any Restricted Subsidiary; and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with the acquisition by any Restricted Subsidiary.

(27) 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;

(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 security documents entered into pursuant to the Indenture or the Revolving Credit Facility Agreement, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens to secure Indebtedness where the granting of an equal and ratable (or prior) Lien on such property or assets to secure the Notes would be inconsistent with the Agreed Security Principles;

(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 €35.0 million; and

(30) Liens on rights under any loan or other instrument lending or contributing the proceeds of Indebtedness Incurred by the Issuer or another Person to one or more Guarantors in favor of the third-party creditors in respect of such Indebtedness.

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"Permitted Reorganization" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any Restricted Subsidiary (a "Reorganization") that is made on a solvent basis; provided that:

(1) any payments or assets distributed in connection with such Reorganization remain within the Issuer and the Restricted Subsidiaries; and

(2) if any shares or other assets of an entity subject to reorganization form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral.

Promptly upon consummation of a Permitted Reorganization, the Board of Directors of the Issuer will file with the Trustee a copy of the resolution of the Board of Directors of the Issuer or the applicable Restricted Subsidiary authorizing such Permitted Reorganization and an Officer's Certificate certifying that such Permitted Reorganization complied with the terms of the Indenture and did not result in a Default or Event of Default.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Debt" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"Public Market" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €50.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"Public Offering" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"Purchase Money Obligations" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"Qualified Receivables Financing" means any Receivables Financing that meets the following conditions: (1) the Board of Directors 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 or other Subsidiary, as the case may be, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary or other Subsidiary, as the case may be, are made at fair market value (as determined in good faith by the Board of Directors 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 of the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of a Restricted Subsidiary (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, Fitch or any other Nationally Recognized Statistical Rating Organization selected by the Issuer as a replacement agency.

"Receivable" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"Receivables Assets" means any assets that are or will be the subject of a Qualified Receivables Financing. "Receivables Fees" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"Receivables Financing" means any transaction or series of transactions that may be entered into by the Issuer or any Subsidiary of the Issuer pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise 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, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"Receivables Repurchase Obligation" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Receivables Subsidiary" means a Wholly Owned Subsidiary of the Issuer or a Restricted Subsidiary (or another Person formed for the purposes of engaging in a Qualified Receivables Financing in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of a 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 of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any 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 Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any 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 of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors 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 complied with the foregoing conditions.

"refinance" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"Refinancing 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 Original Notes Issue Date or Incurred in compliance with the Indenture (including Indebtedness of a Restricted Subsidiary that refinances Indebtedness of the Issuer and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; provided, however, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Stated Maturity of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or Notes Guarantees, such Refinancing Indebtedness is subordinated to the Notes or such Notes Guarantees, as applicable, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided further, however, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit 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; provided that it is used to refinance the amounts to discharge in full such Credit Facility or other Indebtedness within 180 days of the relevant termination, discharge or repayment.

"Related Person" with respect to any Permitted Holder specified in clause (2) of the definition thereof, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"Related Taxes" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

(1) 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 Restricted Subsidiary);

(2) issuing or holding Subordinated Shareholder Funding;

(3) being a holding company parent, directly or indirectly, of the Issuer or any Restricted Subsidiary;

(4) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Restricted Subsidiary; or

(5) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "Certain Covenants—Limitation on Restricted Payments."

"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 a Restricted Subsidiary's business as of the Original Notes Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors of the Issuer are related thereto.

"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 by the Issuer or a Restricted Subsidiary other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Issuer (other than an Unrestricted Subsidiary). "Revolving Credit Facility" means the super senior revolving credit facility established pursuant to the Revolving Credit Facility Agreement.

"Revolving Credit Facility Agreement" means the agreement governing the Revolving Credit Facility dated April 11, 2018, by and among, inter alios, the Issuer as borrower, BNP Paribas, HSBC Bank plc and Unione di Banche Italiane S.c.p.A. as arrangers, BNP Paribas, London Branch as agent, and the Security Agent.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Sale and Leaseback Transaction" means any arrangement providing for the leasing by the Issuer or any Restricted Subsidiary of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"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.

"Security Interests" means the security interests in the Collateral that are created by the Security Documents.

"Senior Secured Indebtedness" means any Indebtedness secured by a Lien on a basis pari passu with or senior to the security in favor of the Notes or the Notes Guarantees.

"Significant Subsidiary" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and the Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and the Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and the Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer on a consolidated basis for the most recently completed fiscal year.

"Similar Business" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Original Notes 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.

"Standard Securitization Undertakings" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Qualified Receivables Financing, including those relating to the servicing of the assets of a Receivables

Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "Change of Control" and the conditions 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 (a) any Indebtedness of the Issuer that is expressly subordinate in right of payment to the Notes and (b) any Indebtedness of a Guarantor that is expressly subordinate in right of payment to such Guarantor's Notes Guarantee.

"Subordinated Shareholder Funding" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; provided, however, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Original Notes Issue Date with respect to the "Subordinated Liabilities" (as defined therein), mutatis mutandis.

"Subsidiary" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

   (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Tax Sharing Agreement" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and/or any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any parent 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 and penalties 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) any European Union member state, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P, "A" by Fitch or "A-1" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Credit Facility Agreement;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(1) 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;

(2) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than a Restricted Subsidiary or the Issuer), with a rating at the time as of which any Investment therein is made of "P-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);

(3) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no

rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(4) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(5) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(6) 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

(7) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"Transaction Expenses" means any fees or expenses Incurred or paid by the Issuer or any Restricted Subsidiary in connection with the Transactions, including any fees, costs and expenses associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

"Transactions" shall have the meaning assigned to such term in the Original Notes Offering Memorandum under the caption "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 a Guarantor; and

(2) such designation and the Investment of the Issuer or the relevant Restricted Subsidiary in such Subsidiary would not be prohibited under "Certain Covenants—Limitation on Restricted Payments."

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) a Guarantor could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation. Any such designation by the Board of Directors of the Issuer 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.

“Wholly Owned Subsidiary” means a Restricted Subsidiary, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK-ENTRY; DELIVERY AND FORM

General

The New Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes"). The New 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 144A Global Notes, the "Global Notes"). On the New Notes Issue Date, the Global Notes will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("144A Book-Entry Interests") and ownership of interests in the Regulation S Notes and the Regulation S Global Note (the "Regulation S Book-Entry Interests" and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. 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, Book-Entry Interests will not be issued in definitive form.

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 participants. Book-Entry Interests will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit a participant's account on their respective book-entry registration and transfer systems with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the New Notes are in global form, holders of Book-Entry Interests will not have the New Notes registered in their names, will not receive physical delivery of the New Notes in certificated form and will not be considered the owners or "holders" of New Notes under the Indenture for any purpose.

So long as the New Notes are held in global form, the common depositary of Euroclear and/or Clearstream (or its respective nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and the Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders of the New Notes under the Indenture.

None of the Issuer, the Guarantor, the Initial Purchasers, the Registrar, the Paying Agent, the Transfer Agent, the Trustee 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.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive registered New Notes in certified form (the "Definitive Registered Notes") only in the following circumstances:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

Euroclear and Clearstream have advised the Issuer that upon request by an owner of a Book Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the Issuer issue or cause to be issued New Notes in definitive registered form to all owners of Book Entry Interests and not only to the owner who made the initial request.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream (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 as provided in the Indenture, 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, any Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the New Notes.

We will not impose any fees or other charges in respect of the New Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

We will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the New Notes, (ii) any date fixed for redemption of the New Notes or (iii) the date fixed for selection of the New Notes to be redeemed in part. We are also not required to register the transfer or exchange of any New Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer or asset sale offer. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. We may require a holder to pay any transfer taxes and fees required by law and permitted by the Indenture and the New Notes.

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 the Transfer Agent, we will issue and the Trustee (or an authenticating agent appointed by the Trustee) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. We 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 us to protect us, the Registrar or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We, the Registrar and/or the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we in our 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 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 "Notice to Investors."

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream will distribute the amount received by it in respect of the Global Note so redeemed to the holders 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 redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or 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 New Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate in accordance with their respective operational procedures; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity 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, interest, additional interest and additional amounts) to the Paying Agent. In turn, the Paying Agent will make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and any of their respective agents will treat the registered holder of the Global Notes (i.e., the common depositary for Euroclear and Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying 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, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;

- any other matter relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant; or

- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such notes through Euroclear and/or Clearstream in euro.

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 the New 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 the New 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 New Notes, each of Euroclear and Clearstream, at the request of the holders of such New Notes, reserves the right to exchange the Global Notes for Definitive Registered Notes in certified form, and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be done in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the New Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "Notice to Investors." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "Notice to Investors."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 or any other exemption (if available) under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor 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 "Notice to Investors" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interests for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "Description of the Notes—Transfer and Exchange" and, if required, only if the transferor first delivers to the Trustee and the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Notice to Investors."

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 the 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 the 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 retains such a Book-Entry Interest.

Pledges

Because Euroclear and Clearstream can 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 Book-Entry Interest to pledge such interest to persons or entities who or 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 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.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents are responsible for those operations or procedures.

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 interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can 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 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 person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The New Notes represented by the Global Notes are expected to be listed on the Official List of the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes between participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantor, the Initial Purchasers, the Trustee, the Paying Agent or the Transfer Agent or the Registrar will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the New Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the New Notes through Euroclear or Clearstream on days when those systems are open for business.

CERTAIN TAXATION CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the New Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of New Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the New Notes or any interest therein.

The summaries set forth below are based upon, as applicable, Italy or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the New Notes include the beneficial owners of the New Notes. Terms defined under each subsection related to Italy and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding Italy and United States laws and practices set forth below assume that the New Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

Certain Italian Tax Considerations

The statements herein regarding Italian taxation are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of the New Notes for Italian resident and non-Italian resident beneficial owners, although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the New Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Neither the Issuer nor any other entity belonging to the Group will update this summary to reflect changes in law or in the interpretation thereof and, if any such change occurs, the information in this summary could be superseded.

Interest on the New Notes

Italian Resident Holders of the New Notes

Italian Legislative Decree No. 239 of April 1, 1996, as amended and supplemented ("Decree No. 239"), regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "Interest") from New Notes to the extent:

(i) the New Notes are issued by, inter alia, companies, whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States and of the states party to the EEA agreement included in the list of States allowing an adequate exchange of information with the Italian tax authorities, as indicated by the Italian Ministerial Decree of September 4, 1996, as ultimately amended by Ministerial Decree of March 23, 2017 and possibly further amended by future decrees issued pursuant to Article 11 par. 4 (c) of Decree 239 (the "White List States"); or

(ii) the New Notes are listed on a qualifying regulated market or on a multilateral trading platform of EU Member States and of the states party to the EEA agreement of White List States; or

(iii) the New Notes are held by qualified investors (as defined under Article 100 of the Italian Securities Act).

The provisions of Decree No. 239 only apply to New Notes which qualify as obbligazioni or titoli similari alle obbligazioni pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("Decree No. 917"). Pursuant to Article 44 of Decree No. 917, for securities to qualify as titoli similari alle obbligazioni (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not lower than their nominal value or principal amount ("valore nominale") and attribute to the holders no direct or indirect right to control or participate to the management of the Issuer.

Pursuant to Decree No. 239, payments of Interest relating to New Notes issued by the Issuer that qualify as obbligazioni or titoli similari alle obbligazioni are subject to a tax, referred to as imposta sostitutiva (as defined below), levied at the rate of 26% (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the New Notes) where an Italian resident holder of New Notes is the beneficial owner of such New Notes, and is:

(a) an individual holding New Notes otherwise than in connection with entrepreneurial activity, unless he has entrusted the management of his financial assets, including the New Notes, to an authorized intermediary and has opted for the application of the so-called risparmio gestito regime (the "Asset Management Option") pursuant to Article 7 of Italian Legislative Decree No. 461 of November 21, 1997, as amended ("Decree No. 461"); or

(b) a partnership (other than a società in nome collettivo or società in accomandita semplice or similar partnership) or a de facto partnership not carrying out commercial activities or professional associations; or

(c) a private or public entity (other than a company) or a trust not carrying out commercial activities; or

(d) an investor exempt from Italian corporate income taxation. All the above categories are classed as "net recipients."

Where the resident holders of the New Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the New Notes are connected, imposta sostitutiva applies as a provisional income tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the imposta sostitutiva, on Interest if the New Notes are included in a long-term individual savings account (piano individuale di risparmio a lungo termine) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 of December 11, 2016 (the Finance Act 2017).

Pursuant to Decree No. 239, the 26% imposta sostitutiva is applied by banks, società di intermediazione mobiliare (so-called "SIMs"), fiduciary companies, società di gestione del risparmio, stockbrokers and other qualified entities, identified by a decree of the Ministry of Finance, which are resident in Italy ("Intermediaries" and each an "Intermediary") or by permanent establishments in Italy of banks or intermediaries resident outside Italy or by organizations or companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree No. 239. For the purposes of applying imposta sostitutiva, Intermediaries or permanent establishments in Italy of foreign intermediaries are required to act in connection with the collection of Interest or, in the transfer or disposal of Notes, including in their capacity as Transferees.

Payments of Interest in respect of the New Notes issued by the Issuer that fall within the definitions set out above are not subject to the 26% imposta sostitutiva if made to beneficial owners who are:

(a) Italian resident corporation or permanent establishments in Italy of foreign corporations to which the New Notes are effectively connected;

(b) Italian resident partnerships carrying out commercial activities (società in nome collettivo or società in accomandita semplice);

(c) Italian resident open-ended or closed-ended collective investment funds, investment companies with fixed capital (SICAFs) or investment companies with variable capital (SICAVs) established in Italy, Italian resident pension funds referred to in Italian Legislative Decree No. 252 of December 5, 2005 ("Decree No. 252") and Italian resident real estate investment funds; and

(d) Italian resident individuals holding the New Notes otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the New Notes, to an authorized financial intermediary and have opted for the Asset Management Option.

Such categories are classed as "gross recipients." To ensure payment of Interest in respect of the New Notes without the application of the 26% imposta sostitutiva, gross recipients must:

(a) be the beneficial owners of payments of Interest on the New Notes; and

(b) deposit the New Notes together with the coupons relating to such New Notes in due time directly or indirectly with an Italian authorized financial Intermediary (or permanent establishment in Italy of foreign intermediary).

Where the New Notes and the relevant coupons are not deposited with an authorized Intermediary (or permanent establishment in Italy of foreign intermediary), imposta sostitutiva is applied and withheld:

(a) by any Italian bank or any Italian intermediary paying Interest to the holders of the New Notes; or

(b) by the Issuer,

and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the New Notes are effectively connected are entitled to deduct any imposta sostitutiva suffered from income taxes due.

Interest accrued on the New Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the holders of the New Notes, also in the net value of production for purpose of regional tax on productive activities—IRAP) of the holders of the New Notes who are Italian resident corporations or similar commercial entities or permanent establishments in Italy or foreign corporations to which the New Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding the New Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 26% annual substitute tax (the "Asset Management Tax") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the New Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorized intermediary.

Interest accrued on the New Notes held by Italian collective investment funds, SICAVs and SICAFs is not subject to the imposta sostitutiva, but is included in the aggregate income of the investment funds, SICAVs and SICAFs. The Italian collective investment funds, SICAVs or SICAFs will not be subject to taxation on such result, but a withholding tax of 26% will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders (the "Collective Investment Fund Substitute Tax").

Where an Italian resident noteholder is a pension fund (subject to the regime provided for by article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the New Notes are deposited with an Italian resident intermediary, Interest relating to the New Notes and accrued during the holding period will not be subject to imposta sostitutiva, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the New Notes).

Where a holders of the New Notes is an Italian resident real estate investment fund or a SICAF to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended, apply, Interest accrued on the New Notes will be subject neither to imposta sostitutiva, nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Non-Italian Resident Holders of the New Notes

Pursuant to Decree No. 239, payments of Interest in respect of the New Notes issued by the Issuer falling within the definitions set out in "—Italian Resident Holders of the New Notes" above will not be subject to imposta sostitutiva at the rate of 26%, provided that:

(a) the payments are made to non-Italian resident beneficial owners of the New Notes with no permanent establishment in Italy to which the New Notes are effectively connected;

(b) such beneficial owners are resident, for tax purposes, in White List States; and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from imposta sostitutiva, are met or complied with in due time.

The 26% imposta sostitutiva may generally be reduced to 10% or reduced to zero under certain applicable double tax treaties entered into by Italy, if more favorable, subject to timely filing of required documentation provided by Measure of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

Decree No. 239 also provides for additional exemptions from imposta sostitutiva for payments of Interest in respect of the New Notes made to (i) international entities and organizations established in accordance with international agreements ratified in Italy, (ii) "institutional investors," whether or not subject to tax, which are established in White List States and (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State.

To ensure payment of Interest in respect of the New Notes without the application of 26% imposta sostitutiva, non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the New Notes;

(b) deposit the New Notes in due time together with the coupons relating to such New Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralized securities management system which is in contact via computer with the Ministry of Economy and Finance; and

(c) file in due time with the relevant depository a declaration (autocertificazione) stating, inter alia, that he or she is a resident, for tax purposes, in a White List State. Such declaration (autocertificazione) which must comply with the requirements set forth by an Italian Decree of the Ministry for the Economy and Finance of December 12, 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration (autocertificazione) is not required for non-Italian resident investors that are international entities and organizations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, inter alia, the official reserves of a foreign state.

Failure of a non-resident holders of the New Notes to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of imposta sostitutiva on Interest payments to a non-resident holders of the New Notes.

Fungible Issues

Pursuant to Article 11, paragraph 2 of Decree 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 from 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 New Notes.

Capital Gains

Italian Resident Holders of the New Notes

Pursuant to Decree No. 461, a 26% capital gains tax (referred to as "imposta sostitutiva") is applicable to capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to which the New Notes are connected, on any sale or transfer for consideration of the New Notes or redemption thereof.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the imposta sostitutiva, on interest, premium and other income relating to the New Notes if the New Notes are included in a long-term individual savings account (piano individuale di risparmio a lungo termine) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 of December 11, 2016 (the "Finance Act 2017").

Under the so called "tax declaration regime," which is the standard regime for taxation of capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to the extent that they do not opt for the "risparmio amministrato" regime or the Asset Management Option, the 26% imposta sostitutiva on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realized by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given tax year. The capital gains realized in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and imposta sostitutiva must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Pursuant to Italian Law Decree No. 66 of April 24, 2014, as converted into law with amendments by Italian Law No. 89 of June 23, 2014 published in the Official Gazette No. 143 of June 23, 2014, ("Decree No. 66"), capital losses may be carried forward to be offset against capital gains of the same nature realized after June 30, 2014 for an overall amount of: 76.92% of the capital losses realized from January 1, 2012 to June 30, 2014. Alternatively, holders of the New Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the New Notes are connected, may elect to pay imposta sostitutiva separately on capital gains realized on each sale or transfer or redemption of the New Notes ("risparmio amministrato" regime). Such separate taxation of capital gains is allowed subject to:

(a) the New Notes being deposited with an Intermediary (or permanent establishment in Italy of a foreign intermediary); and

(b) an express election for the so called risparmio amministrato regime being made in writing in due time by the relevant holder of the New Notes.

The Intermediary is responsible for accounting for imposta sostitutiva in respect of capital gains realized on each sale or transfer or redemption of the New Notes, as well as on capital gains realized as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the New Notes, deducting a corresponding amount from proceeds to be credited to the holder of the New Notes. Where a sale or transfer or redemption of the New Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realized on assets held by the holder of the New Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realized after June 30, 2014 for an overall amount of 76.92% of the capital losses realized from January 1, 2012 to June 30, 2014. Under the risparmio amministrato regime, any realized capital gain is not required to be included in the annual income tax return of the holders of the New Notes and the holders of the New Notes remains anonymous.

Special rules apply if the New Notes are part of (i) a portfolio managed under the Asset Management Option by an Italian asset management company or an authorized intermediary or (ii) an Italian Organismo di Investimento Collettivo del Risparmio (which includes a Fondo Comune di Investimento, SICAV or SICAF). In both cases, capital gains on the New Notes will not be subject to 26% imposta sostitutiva on capital gains.

In particular, under the Asset Management Option, any appreciation of the New Notes, even if not realized, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the four subsequent years. Pursuant to Decree No. 66, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of July 1, 2014 for an overall amount of 76.92% of the depreciations in value registered from January 1, 2012 to June 30, 2014. Under the Asset Management Option the realized capital gain is not required to be included in the annual income tax return of the holders of the New Notes and the holders of the New Notes remains anonymous.

In the case of New Notes held by investment funds, SICAVs or SICAFs, capital gains on New Notes contribute to determine the increase in value of the managed assets of the funds, SICAVs or SICAFs accrued at the end of each tax year. The investment funds, SICAVs or SICAFs will not be subject to taxation on such increase, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Any capital gains realized by a holders of the New Notes that is an Italian pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an Italian resident intermediary, will not be subject to imposta sostitutiva, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the New Notes).

Where a holders of the New Notes is an Italian resident real estate investment fund or a SICAF, to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended, apply, capital gains realized will be subject neither to imposta sostitutiva nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realized by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the New Notes are connected or Italian resident individuals engaged in an entrepreneurial activity to which the New Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Non-Italian Resident Holders of the New Notes

The 26% imposta sostitutiva on capital gains may in certain circumstances be payable on any capital gains realized upon sale, transfer or redemption of the New Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the New Notes are effectively connected, if the New Notes are held in Italy.

However any capital gains realized by non-Italian residents without a permanent establishment in Italy to which the New Notes are effectively connected through the sale for consideration or redemption of the New Notes are exempt from taxation in Italy to the extent that the New Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (autocertificazione) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the New Notes are deposited, even if the New Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the New Notes are not listed on a regulated market in Italy or abroad:

(a) Pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the New Notes with no permanent establishment in Italy to which the New Notes are effectively connected are exempt from imposta sostitutiva in Italy on any capital gains realized upon sale for consideration or redemption of the New Notes if they are resident for tax purposes in a White List State. Under these circumstances, if non-Italian resident beneficial owners of the New Notes without a permanent establishment in Italy to which the New Notes are effectively connected elect for the Asset Management Option or are subject to the risparmio amministrato regime, exemption from Italian capital gains tax will apply provided that they timely file with the authorized financial intermediary an appropriate declaration (autocertificazione) stating that they meet the requirement indicated above. The same exemption applies in case the beneficial owners of the New Notes are (i) international entities or organizations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in White List States; or (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State.

(b) In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the New Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realized upon sale or redemption of the New Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to imposta sostitutiva in Italy on any capital gains realized upon sale for consideration or redemption of the New Notes. Under these circumstances, if non- Italian residents without a permanent establishment in Italy to which the New Notes are effectively connected elect for the Asset Management Option or are subject to the risparmio amministrato regime, exemption from Italian capital gains tax will apply provided that they timely file with the authorized financial intermediary appropriate documents which include, inter alia, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

The risparmio amministrato regime is the ordinary regime automatically applicable to non- resident persons and entities in relation to the New Notes deposited for safekeeping or administration with Italian banks, SIMs and other eligible entities, but non-resident holders of the New Notes retain the right to waive this regime. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and deposit accounts held in their names in which third parties' financial assets are held.

Inheritance and Gift Tax

Pursuant to Italian Law Decree No. 262 of October 3, 2006, converted into law with amendments by Italian Law No. 286 of November 24, 2006, effective from November 29, 2006, and Italian Law No. 296 of December 27, 2006, the transfers of any valuable assets (including the New Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(i) transfers in favor of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or gift exceeding €1,000,000 (per beneficiary);

(ii) transfers in favor of brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6% on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);

(iii) transfers in favor of relatives up to the fourth degree and relatives-in-law up to the third degree are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift; and

(iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the transfer is made in favor of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

Moreover, an anti-avoidance rule is provided for by Italian Law No. 383 of October, 2001 for any gift of assets (such as the New Notes) which, if sold for consideration, would give rise to capital gains to the imposta sostitutiva provided for by Decree No. 461. In particular, if the donee sells the New Notes for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant imposta sostitutiva on capital gains as if the gift was not made.

With respect to the New Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted New Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Registration Tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds (atti pubblici e scritture private autenticate) executed in Italy are subject to fixed registration tax at a rate of €200; (ii) private deeds (scritture private non autenticate) are subject to registration tax at a rate of €200 only in the case of use or voluntary registration or occurrence of the so-called enunciazione.

Stamp Duty

According to Article 13 par. 2-ter of the tariff Part I attached to Italian Presidential Decree No. 642 of October 26,1972, as amended by Article 1 par. 581 of Italian Law No. 147 of December 27, 2013, a proportional stamp duty applies on a yearly basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. This stamp duty applies at the rate of 0.20% on the market value or—in the absence of a market value—on the nominal value or the redemption amount or in the case the nominal or redemption values cannot be determined, on the purchase value of any financial products and cannot exceed the amount of €14,000 for holders of the New Notes that are not individuals. Stamp duty will apply on the New Notes, both to Italian resident holder of the New Notes and to non-Italian resident holders of the New Notes, to the extent that the New Notes are held with an Italian based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit, nor the release or the drafting of the statement. In case of reporting periods of less than twelve months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on February 9, 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on Financial Assets Deposited Abroad

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Italian Law No. 147 of December 27, 2013, and Article 9 of Italian Law No. 161 of October 30, 2014, Italian resident individuals holding financial assets—including the New Notes—outside of the Italian territory are required to pay a wealth tax at the rate of 0.2%. The tax applies on the market value at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Tax Monitoring Obligations

Pursuant to Italian Law Decree No. 167 of June 28,1990, converted by Italian Law No. 227 of August 4, 1990, as amended by Italian Law No. 97 of August 6, 2013 and subsequently amended by Italian Law No. 50 of March 28, 2014 and Italian Law No. 225 of December 1st, 2016, individuals, non-profit entities and certain partnerships (società semplici or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument under the Italian money-laundering law.

Furthermore, the above reporting requirement is not required to comply with respect to the New Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the New Notes have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a €15,000 threshold throughout the year.

OECD Common Reporting Standards

The EU Savings Directive adopted on June 3, 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from January 1, 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("CRS") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges began in 2017.

Italy has enacted Italian Law No. 95 of June 18, 2015 ("Law 95/2015"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has entered into force on January 1, 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that holders of the New Notes hold the New Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Certain United States Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the New Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. Holder (as defined below), except for the discussions below under "—Foreign Account Tax Compliance," and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non U.S. tax laws.

This discussion is based upon the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change at any time, possibly with retroactive effect which could significantly affect the U.S. federal tax consequences described below. No rulings from the U.S. Internal Revenue Service ("IRS") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS or a court will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the New Notes than those discussed herein or that any such position would not be sustained in the event of litigation. A different treatment than that assumed below could adversely affect the amount, timing and character of income, gain or loss in respect of an investment in the New Notes.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a U.S. Holder in light of such U.S. Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income, the alternative minimum tax, or the base erosion and anti-abuse tax under section 59A of the Code, or to holders subject to special rules, such as banks, certain financial institutions, U.S. expatriates, insurance companies, individual retirement and other tax deferred accounts, dealers in securities or currencies, traders in securities, U.S. Holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships, S corporations, or other pass through entities and investors in such entities, entities covered by the anti-inversion rules, persons that actually or constructively own more than 10% of our voting stock, persons subject to special tax accounting rules as a result of any item of gross income with respect to the New Notes being taken into account in an "applicable financial statement" (as defined in section 451 of the Code), and persons holding the New Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the New Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the New Notes is sold to investors for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the New Notes as capital assets (generally, property held for investment) within the meaning of section 1221 of the Code.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a New Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia, (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in place to be treated as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the New Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partner and the partnership. A partnership considering an investment in the New Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the New Notes.

The summary of certain U.S. federal income tax considerations set forth below is for general information purposes only. Prospective purchasers of the New Notes should consult their tax advisors concerning the tax consequences of holding New Notes in light of their particular circumstances, including the application of the U.S. federal income tax.

Fungibility with the Existing Notes

The fungibility of the New Notes will be determined on the basis of the issue price of the New Notes, and specifically whether the stated principal amount of the New Notes exceeds their issue price by an amount equal to or greater than a statutorily defined de minimis amount such that the New Notes would be considered to be issued with OID for U.S. federal income tax purposes, or, if the New Notes (on a standalone basis) are considered to be issued with OID for U.S. federal income tax purposes, on the basis of whether we determine the Yield Test would be satisfied. The New Notes are expected to be fungible with the Existing Notes for U.S. federal income tax purposes.

The application of the Yield Test and the determination of whether the New Notes are fungible with the Existing Notes is a complex determination and is subject to uncertainties and it is possible the IRS could take a contrary view as discussed above. Prospective purchasers of the New Notes should consult their tax advisors concerning the tax consequences of holding New Notes, including whether or not a New Note is expected to be fungible with an Existing Note.

Transactions Related to the Fedrigoni Acquisition

If the conditions for the Fedrigoni Post-Completion Merger are met, it is expected that the Issuer will merge with Fedrigoni, with Fedrigoni MergerCo being the surviving entity. Fedrigoni MergerCo, as the surviving entity, will assume the obligations of the Issuer under the New Notes. Although the matter is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. If this position is respected, a U.S. Holder would not recognize any income, gain or loss in connection with such transactions and would have the same adjusted tax basis in the New Notes as the U.S. Holder had in the original New Notes exchanged therefor. Moreover, the holding period for the New Notes would generally include the holding period for the original New Notes.

It is possible, however, that the IRS could take a contrary view, and seek to treat the Fedrigoni Post-Completion Merger and the assumption of the obligations under the New Notes by Fedrigoni as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. Holders would recognize any gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in each series of the New Notes for U.S. federal income tax purposes. In addition, if the fair market value of the New Notes at the time of the Fedrigoni Post-Completion Merger is less than the principal amount of such New Notes (by more than a statutorily defined de minimis amount), such New Notes may be treated as issued with OID, in which case the U.S. federal income tax consequences of the ownership and disposition of the New Notes may be different than what is described below.

U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences to them of the Fedrigoni Post-Completion Merger.

Additional Payments

In certain circumstances (see "Description of the Notes—Change of Control," "Description of the Notes—Optional Redemption," "Description of the Notes—Redemption for Taxation Reasons" and "Description of the Notes—Withholding Taxes") we may be obligated or elect to pay amounts in excess of stated interest or principal on the New Notes. If any such payment is treated as a contingent payment, subject to certain exceptions, the Notes may be treated as contingent payment debt instruments, in which case the timing and amount of income inclusions and the character of income recognized may be different from the consequences discussed herein. Although the issue is not free from doubt, we intend to take the position that the possibility of such additional amounts payable on the New Notes is a remote or incidental contingency within the meaning of applicable Treasury regulations as of the date hereof, and thus does not result in the New Notes being treated as contingent payment debt instruments under applicable Treasury regulations. Therefore, we do not intend to treat the potential payment of additional interest or the potential payment of a premium pursuant to the optional redemption, redemption for tax reasons or withholding tax provisions as part of the yield to maturity of the New Notes. Our determination that this contingency is remote or incidental is binding on a U.S. Holder, unless such U.S. Holder explicitly discloses to the IRS on its tax return for the year during which it acquires the New Notes that it is taking a different position. However, our position is not binding on the IRS. If the IRS takes a contrary position to that described above, a Holder may be required to accrue income on its New Notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income recognized on the taxable disposition of a New Note. U.S. Holders should consult their tax advisor regarding the tax consequences if the Notes were treated as contingent payment debt instruments. The discussion below assumes that the New Notes will not be treated as contingent payment debt instruments.

Payments of Stated Interest

Payments of stated interest on the New Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be taxable to 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 tax accounting will be required to include in income the U.S. dollar value of the euro denominated interest payment on a New Note based on the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. No foreign currency exchange gain or loss will be recognized with respect to the receipt of such payment (other than foreign currency exchange gain or loss realized on the disposition of the euros so received, see "—Exchange of Foreign Currency" below).

A U.S. Holder that uses the accrual method of tax accounting will accrue interest income on a New Note in euros and translate the amount accrued into U.S. dollars based on:

- the average exchange rate in effect during the interest accrual period, or portion thereof, within such U.S. Holder's taxable year; or

- at such U.S. Holder's election, at the spot rate of exchange on (1) the last day of the accrual period, or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year, or (2) the date of receipt, if such date is within five Business Days of the last day of the accrual period. Such election must be applied consistently by the U.S. Holder to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and can be changed only with the consent of the IRS.

A U.S. Holder that uses the accrual method of tax accounting will recognize foreign currency exchange gain or loss on the receipt of an interest payment equal to the difference between (i) the value of the euros received as interest, as translated into U.S. dollars using the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars, and (ii) the U.S. dollar amount previously included in income with respect to such payment. Such foreign currency exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S. source, and generally will not be treated as an adjustment to interest income received on the New Notes.

Interest generally will be income from sources outside of the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. Any non-U.S. withholding tax paid by 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. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. Holder's particular circumstances.

U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits.

Sale, Exchange or Other Taxable Disposition of the New Notes

Upon the sale, exchange, retirement at maturity, redemption or other taxable disposition of a New Note, except as noted below with respect to foreign currency exchange gain or loss, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized by such U.S. Holder (except to the extent such amount is attributable to accrued but unpaid interest, which will be taxable as described above under "—*Payments of Stated Interest*") and such U.S. Holder's adjusted tax basis in such New Note. Subject to the discussion below, the adjusted tax basis of a New Note to a U.S. Holder will generally be the U.S. dollar value of the euro purchase price calculated at the spot rate of exchange on the date of purchase, decreased by the amount of any payments made on such New Note (other than payments of stated interest). The amount realized by a U.S. Holder upon the disposition of a New Note will generally be the U.S. dollar value of the euros received calculated at the spot rate of exchange on the date of disposition.

If the New Notes are traded on an established securities market, a U.S. Holder that uses the cash method of tax accounting, and if it so elects, a U.S. Holder that uses the accrual method of tax accounting, will determine the dollar value of its adjusted tax basis in such New Note and the amount realized on the disposition of a New Note by translating euro amounts at the spot rate of exchange on the settlement date of the purchase or the disposition, respectively. The election available to accrual basis U.S. Holders discussed above must be applied consistently by the U.S. Holder to all debt instruments from year to year and can be changed only with the consent of the IRS.

Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period for the New Notes exceeds one year on the date of disposition. Long-term capital gains recognized by non-corporate U.S. Holders are eligible for reduced rates of taxation. Capital gain or loss, if any, recognized by U.S. Holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on a sale, exchange, retirement at maturity, redemption or other taxable disposition of a New Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in the euro to U.S. dollar exchange rate during the period in which the U.S. Holder held such New Note. Such foreign currency exchange gain or loss will equal the difference between the U.S. dollar value of the euro purchase price calculated at the spot rate of exchange on the date (1) the New Note is disposed of (or the spot rate on the settlement date, if applicable) and (2) of purchase (or the spot rate on the settlement date, if applicable). The recognition of foreign currency exchange gain or loss described in this paragraph will be limited to the amount of overall gain or loss realized on the disposition of a New Note, and will be treated as ordinary income generally from sources within the United States for U.S. foreign tax credit limitation purposes.

Exchange of Foreign Currency

Foreign currency (including any euros) received as interest on, or on a disposition of, a New Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time such proceeds from disposition are received. The amount of gain or loss recognized by a U.S. Holder on the sale or other disposition of such foreign currency for U.S. dollars will be equal to the difference between (1) the amount of U.S. dollars and (2) the U.S. Holder's adjusted tax basis in such foreign currency. Upon any subsequent exchange of such foreign currency for property, a U.S. Holder generally will recognize exchange gain or loss equal to the difference between (1) the U.S. dollar value of such foreign currency paid for such property based on the spot rate of exchange for such foreign currency on the date of the exchange and (2) the U.S. Holder's tax basis in the foreign currency so exchanged. As discussed above, if the New Notes are traded on an established securities market, a cash basis U.S. Holder (or an electing accrual basis U.S. Holder) will determine the U.S. dollar value of the foreign currency by translating the foreign currency received at the spot rate of exchange on the settlement date of the purchase or the disposition. A U.S. Holder that purchases a New Note with previously owned foreign currency will generally recognize gain or loss in an amount equal to the difference, if any, between such U.S. Holder's adjusted tax basis in such foreign currency and the U.S. dollar fair market value of such note on the date of purchase.

Any such foreign currency gain or loss generally will be U.S. source ordinary income or loss.

Reportable Transactions

Under applicable Treasury regulations, a U.S. Holder who participates in "reportable transactions" (as defined in the Treasury regulations) must attach to its United States federal income tax return a disclosure statement on IRS Form 8886. The Treasury regulations could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the New Notes as a reportable transaction if this loss exceeds the relevant threshold in the Treasury regulations. U.S. Holders should consult their own tax advisors to determine the tax reporting obligations, if any, including any requirement to file IRS Form 8886, with respect to the ownership or disposition of the New Notes or any related transaction such as the disposition of any euros received in respect of the New Notes.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of principal and interest on the New Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of an Issued Note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient (such as a corporation), and, when required, provides evidence of such exemption. The payor (which may be us or an intermediate payor) will be required to impose backup withholding, currently at a rate of 24%, on such payments if (1) the U.S. Holder fails to furnish an accurate taxpayer identification number or to establish an exemption from backup withholding; (2) the IRS notifies the payor that the taxpayer identification number furnished by the U.S. Holder is incorrect; (3) there has been a "notified payee underreporting" described in section 3406(c) of the Code; or (4) the U.S. Holder has not certified under penalties of perjury that it has furnished a correct taxpayer identification number, that it is a United States person, and that the IRS has not notified such U.S. Holder that it is subject to backup withholding under the Code. 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 that the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisors regarding the effect, if any, of the backup withholding rules on their particular circumstances.

Information With Respect to Foreign Financial Assets

Certain U.S. Holders who are individuals and who hold an interest in "specified foreign financial assets" (as defined in section 6038D of the Code) are required to report information relating to an interest in the New Notes, subject to certain exceptions (including an exception for New Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. Holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the New Notes.

Foreign Account Tax Compliance

Sections 1471 through 1474 of the Code and the Treasury regulations promulgated thereunder ("FATCA") generally impose a withholding tax of 30% on interest income paid on a debt obligation and, after December 31, 2018, on the gross proceeds from the sale or other disposition of a debt obligation if such interest income or gross proceeds are treated as "passthru payments" attributable to certain U.S. source payments, in each case, to (i) a foreign financial institution (as the beneficial owner or as an intermediary for the beneficial owner), unless such institution enters into an agreement with the United States government to collect and provide to the United States tax authorities substantial information regarding United States account holders of such institution (which would include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with United States owners) or (ii) a foreign entity that is not a financial institution (as the beneficial owner or as an intermediary for the beneficial owner), unless such entity provides the withholding agent with a certification identifying the substantial United States owners of the entity, which generally includes any United States person who directly or indirectly owns more than 10% of the entity, in each case, unless another exemption applies. Investors are encouraged to consult with their own tax advisors regarding the implications of FATCA on their investment in the New Notes.

Debt obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining the term "foreign passthru payment" are filed with the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the New Notes only if there is a significant modification of the New Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that may alter the rules described herein.

Certain Other Tax Considerations

Payment by a Guarantor

If a guarantor makes any payments in respect of interest on the New Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by a guarantor of the New Notes will be eligible for all exemptions described above.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NEW NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer of the New Notes is incorporated under the laws of Italy. The Guarantors of the New Notes are incorporated under the laws of Italy and Spain. Moreover, if the Fedrigoni Post-Completion Merger has not occurred by the Cut-Off Date, Fedrigoni will become a guarantor of the New Notes and will guarantee the New Notes on a senior secured and joint and several basis. Fedrigoni is incorporated and organized under the laws of Italy. The documents relating to the Collateral for the New Notes will be governed by the laws of England and Wales and Italy. The Indenture (including the Guarantees) and the New Notes are or 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 and of the Guarantors are non-residents of the United States. Because substantially all of the assets of the Issuer and of the Guarantor, and its and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors 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 New Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer and the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the New Notes, 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 upon those persons, the Issuer or any guarantor of the New Notes provided that, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against the Issuer or any guarantor of the New Notes, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which each of the Guarantors or the Collateral is located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Italy

The New Notes offered hereby are governed by New York law. However, the Issuer's creation and issuance of the New Notes (i.e. its corporate resolutions) is governed by Italian law.

Final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, 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) 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 default by the defendant, 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.

Spain

The description of Spanish law set forth below discusses the service of process on, and enforcement of civil liabilities against, Arconvert S.A. (the "Guarantor").

A final judgment obtained against the Issuer or any of the guarantors of the New Notes outside of Spain (and, in particular, in the United States), other than in a country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council, would be recognized and enforced by the courts of Spain (unless such judgment contravenes principles of Spanish public policy) pursuant to the following regimes:

- according to the provisions of any applicable treaty (there being none currently in existence between Spain and the United States for these purposes); and
- in the absence of any such treaty, the judgment would be enforced in Spain if it satisfies all of the following requirements in compliance with and subject to Article 523 of the Spanish Civil Procedure Act (Ley 1/2000, de 7 de enero de Enjuiciamiento Civil) and subject to Law 29/2015, of July 30, on International Legal Cooperation in Civil Matters (Ley 29/2015, de 30 de julio, de Cooperación Jurídica Internacional en materia civil) (the "Law on International Legal Cooperation in Civil Matters") which repeals Articles 951 to 958 of the former Spanish Civil Procedure Act of 1881 (Real Decreto de Promulgación de 3 de febrero de 1881 de Enjuiciamiento Civil):

  (a) such U.S. judgment is final and conclusive (firme);

  (b) such U.S. judgment was rendered by a court having jurisdiction over the matter since the dispute is clearly connected to the United States and the choice of the court is not fraudulent;

  (c) the judgment is not contrary to Spanish public policy or mandatory provisions and the obligation to be fulfilled is legal in Spain;

  (d) the documentation prepared for the purposes of requesting the enforcement is accompanied by a literal, authentic, sworn Spanish translation;

  (e) the copy of the judgment presented before the Spanish Court is duly apostilled;

  (f) there is not a pending previous proceeding between the same parties and in relation to the same issues in Spain;

  (g) there is not an incompatible judgment rendered in Spain or previously rendered in another country-when this last judgment meets the requirements to be eventually recognized in Spain;

  (h) where rendering the judgment, the courts rendering it did not infringe an exclusive ground of jurisdiction provided for under Spanish law or based their jurisdiction on exorbitant grounds and the choice of court is not fraudulent;

  (i) the rights of defense of the defendant were protected where rendering the judgment, including, but not limited to, a proper service of process carried out with sufficient time for the defendant to prepare its defense and the U.S. judgment was not rendered by default (i.e., without appearance or without the possibility to appear for the defendant); and

  (j) finally, although reciprocity is not a legal requirement, if it were proven that the U.S. jurisdiction in which the judgment was obtained does not recognize judgments issued by Spanish courts on a general basis, then the Spanish courts could be compelled to deny the recognition of the U.S. judgment in Spain.

Law on International Legal Cooperation in Civil Matters expressly prohibits that a foreign judgment is reviewed as to its substance (revision del fondo) by the Spanish competent court.

Any party wishing to have a U.S. ruling recognized or enforced in Spain must file an application seeking declaration of enforceability of the U.S. resolution (exequatur) with the relevant Spanish Judge of First Instance (Juzgado de Primera Instancia) or Commercial Court (Juzgado de lo Mercantil).

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by the Issuer or the guarantors of the New Notes, but in case of enforcement in Spain, the court costs and interest will be paid in euros. Any judgment obtained against the Issuer or any of the guarantors of the New Notes in any country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council would be recognized and enforced in accordance with the terms set forth thereby.

The enforcement of any judgment in Spain entails, among others, the following actions and costs: (a) translation fees for documents in a language other than Spanish, which must be accompanied by a sworn translation into Spanish; (b) certain professional fees for the verification of the legal representative of a party litigating in Spain, if needed; (c) judicial tax and fees; (d) the procedural acts of a party litigating in Spain must be directed by an attorney at law and the party must be represented by a court agent (procurador); and (e) the content and validity of foreign law must be evidenced to the Spanish courts. In addition, please note that Spanish civil proceedings rules cannot be amended by agreement of the parties and will therefore prevail notwithstanding any provision to the contrary in the New Notes.

As an alternative to the exequatur proceedings, the parties might agree to bring the original action to Spain, so that the dispute is settled by Spanish courts. Pursuant to Article 54 of the current Spanish Civil Procedure Act (Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil), the parties to an agreement are entitled to clearly agree to the submittal to one judge (juzgado) or court (tribunal) (provided that under the Spanish Civil Procedure Act and the Spanish Judicial Act (Ley 6/1985, de 1 de Julio, Orgánica del Poder Judicial) the relevant judge or court is competent to solve the corresponding dispute); this article does not expressly cover the validity of nonexclusive jurisdiction clauses, at least for conflicts between different Spanish courts.

If an original action is brought in Spain, the choice of law made by the parties may be rejected by Spanish courts on grounds that it contravenes Spanish public policy.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS

The following is a summary of certain insolvency law considerations in the jurisdictions in which the Issuer, the Guarantors and certain subsidiaries are incorporated or organized, and a summary of certain limitations on the validity and enforceability of the Guarantees and the security interests for the New Notes. The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the New Notes and the Guarantees and the security interests. Prospective investors in the New Notes should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer and the Guarantors are incorporated under the laws of Member States of the European Union.

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 "EU Insolvency Regulation"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a 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 (which presumption shall not apply if the registered office has been moved to another Member State within the three month period prior to the request for the opening of insolvency proceedings), Article 3(1), second sentence, of the EU Insolvency Regulation states that the centre of main interests "shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties." The courts have taken into consideration a number of factors in determining the centre of main interests of a debtor, including, in particular, where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established. Recital 30 of the EU Insolvency Regulation states that the presumption should be rebutted 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. A debtor's centre of main interests is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If the centre of main interests of a debtor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the debtor under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings commenced in one Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although territorial (secondary) insolvency proceedings may be commenced in another Member State.

If the centre of main interests of a debtor is in a Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence territorial (secondary) insolvency proceedings against that debtor only if such debtor has an "establishment" (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State. 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 territorial (secondary) insolvency proceedings in another EU Member State will also be possible if the debtor had an establishment in such EU Member State in the three month period prior to the request for commencement of main insolvency proceedings.

The effects of those territorial proceedings 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 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 of 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. Irrespective of whether the insolvency proceedings are main or secondary 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 proceedings have been commenced there. The insolvency administrator appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor's centre of main interests is there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets. The EU Insolvency Regulation has created a treatment for groups of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of our group's members.

If the company does not have an establishment in any other Member State, other Member State's court has jurisdiction to open secondary/territorial proceedings in respect of such company under the EC Insolvency Regulation. 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 or territorial proceedings have been commenced there. The insolvency practitioner appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor's COMI is there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets. The EC Insolvency Regulation has created a treatment for groups of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of a group's members.

In addition, the concept of "group proceedings" has been introduced in the EC 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 EC Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that any one or more of the Issuer or the Guarantors experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the Guarantor.

Italy

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the New Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reform has been approved by the Italian Government 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 on June 2015 (the date of its publication in the Gazzetta Ufficiale) and has been converted into law by the Italian Law No. 132/2015 ("Law 132"). Law 132 entered into force on August 21, 2015 (the date after its publication in the Gazzetta Ufficiale).

The two primary aims of Italian Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "Italian Bankruptcy Law") are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "Prodi-bis" procedure or "Marzano" procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy 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 occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

The following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring Outside of a Judicial Process (Accordi Stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal 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. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-Court Reorganization Plans (Piani di Risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (piani di risanamento) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification. The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di Ristrutturazione dei Debiti)

Debt restructuring agreements with creditors (accordi di ristrutturazione dei debiti) entered into with creditors representing at least 60% of the outstanding company's debts can be ratified by the court. 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, particularly, that it ensures that the debts of the non-participating creditors can be fully satisfied within a 120 day term from (i) the date of ratification of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the sanctioning (omologazione) of the debt restructuring agreement by the court and (ii) the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (omologazione) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a state of crisis (i.e., facing financial distress 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 becomes effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The moratorium can be requested, pursuant to Article 182 bis, Paragraph 6 of the Italian Bankruptcy Law, to the court by the debtor pending negotiations with creditors (prior to the above mentioned publication of the agreement), subject to the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the publication and orders the debtor to supply to the creditors the relevant documentation in relation to the moratorium. In such hearing, creditors and other interested parties may file an opposition to the agreement and the court assesses whether the conditions for granting the moratorium have been met and, if the court so determines, orders that no interim relief 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 the restructuring agreement has to be filed. The court's order may be challenged within 15 days of its publication. Within the same deadline of 60 days, an application for the court supervised pre bankruptcy composition with creditors (concordato preventivo) (as described below) may be filed, without prejudice to the effect of the moratorium.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, inter alia, 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. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within 15 days of its publication. The Decree 83/2015, as amended by Law 132 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (accordi di ristrutturazione dei debiti), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-septies of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors.

The debtor may also enter into a moratorium arrangement (convenzione di moratoria) with its creditors which are banks and financial intermediaries by which also the non-consenting banks and financial intermediaries are bound, provided that (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith and (ii) an expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The banks and financial intermediaries which have not agreed to the moratorium arrangement may file an objection (opposizione) to it within 30 days after having been notified of the moratorium arrangement.

In no case the debt restructuring agreement provided under article 182 septies of the Italian Bankruptcy Law or the moratorium arrangement may impose on the non-adhering creditors the performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize existing facilities or the utilization of new facilities.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182 quater of the Italian Bankruptcy Law, financings granted to the debtor pursuant to the approved debt restructuring agreement (or a court supervised Pre Bankruptcy Composition with Creditors (concordato preventivo)) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financings granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (i.e., before) presentation of a petition for the sanctioning (omologazione) of a debt restructuring agreement or a court supervised Pre Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority status is expressly recognized by the court in the context of the sanctioning (omologazione) of the debt restructuring agreement or the approval of the concordato preventivo. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Pursuant to the new Article 182 quinquies of the Italian Bankruptcy Law, the court, pending the sanctioning (omologazione) of the agreement pursuant to Article 182 bis, paragraph 1, or after the filing of the moratorium application pursuant to Article 182 bis, Paragraph 1, 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, (in relation to the court supervised pre bankruptcy composition with creditors (concordato preventivo) described below) may authorize the debtor to (i) incur new pre deductible indebtedness subject to authorization by the court, (ii) secure such indebtedness via in rem security ("garanzie reali"), or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (omologazione), declares that the new financial indebtedness aims to achieve a better satisfaction of the creditors and (iii) pay pre-existing debts deriving from the supply of services or goods, already payable and due, provided that, the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree No. 83/2015, as amended by Law 132, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-quinques of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (concordato preventivo) outlined below.

Furthermore, according to the Article 1 of the Decree 83/2015, as amended by Law 132, pending the sanctioning (omologazione) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called prededucibile) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court-Supervised Pre-Bankruptcy Composition with Creditors (Concordato Preventivo)

A company which is insolvent or in a situation of crisis (i.e. financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (attivo patrimoniale) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (ricavi lordi) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a concordato preventivo (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for concordato preventivo is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the concordato preventivo, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the concordato preventivo by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the concordato preventivo is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (concordato con continuità aziendale) pursuant to Article 186-bis of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities), (ii) the transfer to a receiver (assuntore) of the operations of the debtor company making the composition proposal, (iii) the division of creditors into classes and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the concordato preventivo may be preceded by the filing of a preliminary petition for a concordato preventivo (so called concordato in bianco, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013 ("Law Decree 69/2013")). The debtor company may file such petition along with (i) its financial statements from the latest three 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. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-bis of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may (i) appoint a judicial commissioner (commissario giudiziale) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a concordato preventivo and (ii) set forth reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by creditors referred to in respect of concordato preventivo also apply to preliminary petitions for concardato preventivo (so-called concordato in bianco).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the concordato preventivo having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (omologazione) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132, are treated as super-senior (so called pre-deducibili) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the super- seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (domanda di pre-concordato)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the concordato preventivo within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that (i) the debtor's company's business continues to be run by the debtor's company as a going concern or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (concordato con continuità aziendale). In these cases, the petition for the concordato preventivo should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (giudice delegato) to supervise the procedure, appoints one or more judicial officers (commissari giudiziali) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business).

The concordato preventivo is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The composition with creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the concordato preventivo proposal. Secured creditors are not entitled to vote on the proposal of concordato preventivo unless and to the extent they waive their security, or the concordato preventivo provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the concordato preventivo (notwithstanding the circumstance that one or more classes objected to it) if (i) the majority of classes has approved it and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the concordato preventivo is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the concordato preventivo if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the concordato preventivo than would otherwise be the case.

The Decree 83/2015, as amended by Law 132, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (concordato preventivo) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (crediti chirografari) in case of pre-bankruptcy agreement proposal with liquidation purpose (concordato liquidatorio), or (ii) 30% of the unsecured claims (crediti chirografari) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (concordato con continuità aziendale).

In addition, in order to strengthen the position of the unsecured creditors, Law 132 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (concordato liquidatorio) (i.e. a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (concordato con continuità aziendale).

To the extent the alternative plan is approved by the creditors and ratified (omologato), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-bis of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132, 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.

If the creditors' meeting does not approve the concordato preventivo, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Pursuant to article 169 bis of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (contratti ancora ineseguiti o non compiutamente eseguiti), except for certain agreements which are excluded from the scope of the above provision (e.g., employment agreements (rapporti di lavoro subordinato), preliminary sale agreements (contratti preliminari di vendita) and real estate lease agreements (contratti di locazione di immobili)). The request may be filed with the competent court at the time of the filing of the application for the concordato preventivo or to the judge (giudice delegato), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the pre-bankruptcy composition.

Bankruptcy (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. In particular:

- 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. Any outstanding balance will be considered unsecured and rank pari passu with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (curatore fallimentare) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;

- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (curatore fallimentare);

- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;

- any act (including payments) made by the debtor after the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and

- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (giudice delegato) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. In this respect, Law 132 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law).

- Bankruptcy composition with creditors (concordato fallimentare). Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant proposal can be filed, by one or more creditors or third parties, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (stato passivo). Secured creditors are not entitled to vote on the proposal of concordato fallimentare, unless and to the extent they waive their security or the concordato fallimentare provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal.

  The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The concordato fallimentare proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification 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. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre deductible" claims (i.e., claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, inter alia, a claim whose priority is legally acquired (i.e., repayment of rescue or interim financing, mentioned above), the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are those of "privileged" creditors (creditori privilegiati; a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (creditori ipotecari), pledgees (creditori prignoratizi) and unsecured creditors (crediti chirografari).

- Avoidance powers in insolvency. Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, inter alia, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a clawback period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions, the clawback period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

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.

(a) Acts ineffective by operation of law.

(i) Under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective vis-à-vis creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (trascrizione) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and

(ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis-à-vis creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

(b) Acts that may be avoided at the bankruptcy receiver's request.

(i) The following acts and transactions, if done or made during the period specified below, may be clawed back (revocati) vis-à-vis the bankruptcy as provided for by article 67 of the above referenced Italian Royal Decree and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

- onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;

- payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;

- pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which not yet due at the time the new security was granted; and

- pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be clawed back (revocati) and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

- the 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

- the granting of security interest for debts incurred in the six months prior to the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;

- a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

- a sale, including an agreement for sale registered pursuant to Article 2645-bis of Italian Royal Decree No. 262 of March 16, 1942 (the "Italian Civil Code"), currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

- transactions entered into, payments made and security interests granted with respect to the bankrupt entity's goods, provided that they concern the implementation of a piano di risanamento attestato (see "—Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di Ristrutturazione dei Debiti)" above);

- transactions entered into, payments made and guarantees and security granted by, the debtor pursuant to a plan under Article 67 of the Italian Bankruptcy Law;

- a transaction entered into, payment made or security interest granted to implement a concordato preventivo (see "—Court-Supervised Pre-Bankruptcy Composition with Creditors (Concordato Preventivo)" above) or an accordo di ristrutturazione dei debiti under Article 182 bis of the Italian Bankruptcy Law (see "—Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di Ristrutturazione dei Debiti)" above). Pursuant to Article 182 bis of the Italian Bankruptcy Law and transactions entered into, payments made and security interests granted after the filing of the application for a concordato preventivo (see above);

- remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

- payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to concordato preventivo procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect vis-à-vis the acting creditors within the Italian Civil Code ordinary clawback period of five years (revocatoria ordinaria). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme). Burden of proof is entirely with the receiver.

Law 132 also introduced new Article 2929-bis to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g. gratuitous transfers, or creation of shield instruments such as trusts or the so called fondo patrimoniale, i.e., "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

Finally, as noted above, 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.

Extraordinary Administration for Large Insolvent Companies (Amministrazione Straordinaria delle Grandi Imprese in Stato di Insolvenza)

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the Prodi-bis procedure). The relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

There are two main phases: a "judicial phase" and an "administrative phase."

(a) Judicial Phase. In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (commissiario giudiziale) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within ten days from such filing, the Italian Ministry of Productive Activities may make an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

(b) Administrative Phase. Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Italian Productive Activities Minister. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Italian Ministry of Productive Activities) (the "Disposal Plan") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Italian Ministry of Productive Activities) (the "Recovery Plan"). The plan may also include an arrangement with creditors (e.g., a debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, etc.) (concordato). The plan must be approved by the Italian Ministry of Productive Activities within 30 days from submission by the extraordinary commissioner.

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 Italian Ministry of Productive Activities.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

Industrial Restructuring of Large Insolvent Companies (Ristrutturazione Industriale di Grandi Imprese in Stato di Insolvenza)

Introduced in 2003 pursuant to Italian Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "Marzano procedure." It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the Prodi-bis procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. 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 Plan or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory Administrative Winding-Up (Liquidazione Coatta Amministrativa)

A compulsory administrative winding-up (liquidazione coatta amministrativa) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (commissario liquidatore) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (comitato di sorveglianza). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

Interim Financing

The Decree 83/2015, as amended by Law 132, 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 ten 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 a guarantor of the New Notes enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and the Guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified period (the "suspect period"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (i.e., to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Guarantee or the granting of security interests under the Security Documents by a guarantor of the New Notes. If they are challenged successfully, the rights granted under the Italian 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 New 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 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.

Certain Limitations on Enforcement

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions made by the debtor during a certain legally specified period (the "suspect period"). For a more detailed explanation of the terms, conditions and consequences of claw-back actions in an insolvency scenario, see "—Bankruptcy (fallimento)" above.

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 New 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.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, inter alia, the following aspects:

(a) the enforcement of obligations may be limited by the insolvency proceedings listed above relating to or affecting the rights of creditors;

(b) an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Italian court;

(c) 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;

(d) 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 and decadenze) or may be or become subject to a claim of set-off (compensazione) or to counterclaim;

(e) 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 and are equally liquid and payable;

(f) 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;

(g) the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the fact that the relevant provisions of laws may be deemed contrary to Italian public policy principles;

(h) 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;

(i) enforcement of obligations may be invalidated by reason of fraud or abuse of the law (abuso del diritto);

(j) 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;

(k) 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);

(l) 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;

(m) 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;

(n) 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 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;

(o) the preemption rights (prelazione) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/attachment, at the date of the notification of the payment demand (precetto)) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding/bankruptcy proceedings;

(p) 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;

(q) there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;

(r) 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;

(s) penalties and liquidated damages (penali) may be equitably reduced by a court;

(t) Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;

(u) 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

(v) 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:

(a) 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

(b) that, in the case of non-gratuitous act, 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.

Limitations on Validity and Enforceability of Guarantees and Security Interests Under Italian Law

Corporate Benefit

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and by its by-laws (statuto sociale) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation and its existence is purely a business decision to the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream security or guarantee (i.e., security or guarantee granted to secure financial obligations of directly or indirectly subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (i.e., security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity incorporated under the law of Italy (the "Subsidiary Guarantor") depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive some benefits or advantages from the granting of such guarantee or security. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group (without duplication), while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company ultra vires and potentially affected by a conflict of interest. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the security interest or guarantee granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream and down-stream guarantees granted by Italian companies.

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. 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 addition, pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by an Italian guarantor is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by an Italian guarantors must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the Italian guarantors. It has been held, that such determination must be proportionate to the relevant guarantor's assets. It is uncertain, however, whether courts are entitled to debate and to rule over such determinations.

In order to comply with corporate law requirements on, inter alia, corporate benefit and financial assistance, the maximum amount that the Guarantors may be required to pay in respect of its obligations as guarantor under the Indenture will be subject to limitations.

Given the above limitations in relation to Italian financial assistance law and corporate benefits, the Guarantee and security interests to be granted by Bianco Bidco shall not exceed, among other limitations, the outstanding principal amount of the Bianco Funding Loan without duplication of exposure in relation thereto. If the Fedrigoni Post-Completion Merger has not occurred by the Cut-Off Date and Fedrigoni therefore becomes a guarantor of the Notes, then the Guarantee and security interest granted by Fedrigoni shall not exceed the outstanding principal amount of the Fedrigoni Funding Loan (without duplication of exposure),

it being understood that:

(a) the amount guaranteed and/or secured by Fedrigoni, 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 Existing Notes and (ii) the original principal amount of the Refinancing Tranche, reduced, from time to time, to an amount equal to any repayment, prepayment or redemption of the principal amount of the Existing Notes multiplied by the ratio of (I) the original principal amount of the Refinancing Tranche to (II) the original principal amount of the Existing Notes;

(b) the amount guaranteed and/or secured by Bianco Bidco, 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 New Notes and (ii) the outstanding principal amount of the Bianco Funding Loan at the time of the enforcement and without duplication of exposure in relation thereto;

(c) the aggregate amount of interest in respect of the Existing Notes or New Notes, as applicable, guaranteed and/or secured by a Subsidiary Guarantor will be at any time equal to the interest then outstanding in respect of a principal amount of the Existing Notes or New Notes, as applicable, equal to the principal amount of the Existing Notes or New Notes, as applicable, guaranteed and/or secured by such Subsidiary Guarantor at that time;

(d) in order to comply with the mandatory provision of Italian law in relation to (a) maximum interest rate (namely, Italian Usury Law and article 1815 of the Italian Civil Code), and (b) capitalization of interests (namely, article 1283 of the Italian Civil Code), to the extent applicable, the obligations of any Subsidiary Guarantor under the Guarantee and/or security interest shall not include and shall not extend to (x) any interest qualifying as usurious pursuant to the Italian Usury Law, and (y) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code, respectively; and

(e) any guarantee, indemnity, obligations and liability granted or assumed pursuant to the relevant Guarantee and/or security interest by any Subsidiary Guarantor, including Fedrigoni, as Guarantor, but excluding Bianco Bidco, does not include and does not extend, directly or indirectly, until the date on which the Fedrigoni Post-Completion Merger becomes effective to any amount under the Acquisition Tranche under the Existing Notes.

The proceeds of the enforcement of said guarantees shall be distributed amongst the guaranteed and/or secured creditors (including, without limitation, the holders of the Existing Notes or New Notes, as applicable) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Existing Notes or New Notes, as applicable, will be able to recover limited amounts under the relevant Guarantees and security.

"Acquisition Tranche" means the principal amount equal to €380,293,751.90 million equal to the purchase price for the Fedrigoni Acquisition and for fees and expenses paid in connection with the Fedrigoni Acquisition to be repaid, directly or indirectly, with the proceeds of the Existing Notes.

"Refinancing Tranche" means the principal amount equal to €74,706,248.10 million use to repay the financial indebtedness of Fedrigoni to be repaid, directly or indirectly, with the proceeds of the Existing Notes.

Accordingly, the holders of the Existing Notes or New Notes, as applicable, will be able to recover limited amounts under the relevant Guarantee and security.

The proceeds of the enforcement of said guarantees will be distributed amongst the guaranteed creditors (including, without, limitation, the holders of the Existing Notes or New Notes, as applicable) in accordance with the provisions of the Intercreditor Agreement.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of 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 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 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.

Trust

The Collateral will be created and perfected in favor of the Security Agent acting in its capacity as representative (rappresentante) pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the Existing Notes or New Notes, as applicable, or in favor of a representative (rappresentante) of the holders of the Existing Notes or New Notes, as applicable, who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a rappresentante pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code also in the name and on behalf the holders of the Existing Notes or New Notes, as applicable, 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 Existing Notes or the New Notes, as applicable, are not direct parties to the Indenture, there is the risk that the appointment of the Security Agent in its capacity as representative (rappresentante) 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 Existing Notes or New Notes, as applicable. In addition, the provisions and the subject matter of paragraph 3 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 only granted in favor of the rappresentante, the holders of the Existing Notes or New Notes, as applicable, at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

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 Existing Notes or New Notes, as applicable) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as trustee under security interests granted over Italian assets is uncertain under Italian law.

Certain Considerations in Relation to Security Interests

Italian corporate law (Articles 2497-quinquies and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a 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 Existing Notes or New Notes, as applicable.

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 Existing Notes or New Notes, as applicable, to recover under any Collateral created over such intercompany loans or notes or any guarantees granted by such Italian subsidiaries may be impaired or restricted.

Spain

The following is a brief description of certain aspects of insolvency law in Spain and of the limitations applicable to the guarantees provided by the Guarantor.

Spanish Insolvency Law

The Spanish Insolvency Act 22/2003, of July 9, as amended (the "Spanish Insolvency Act") regulates insolvency proceedings, as opposed to out-of- court liquidation (which, pursuant to Spanish corporate law, is only available when the debtor has sufficient assets to meet its liabilities). The Spanish full-blown insolvency proceeding (bankruptcy), which is referred to as "concurso de acreedores," applies to all persons or entities (save for limited exceptions specifically contemplated in the Spanish Insolvency Act). These proceedings may lead either to reorganization through the implementation of an agreement between the creditors and the debtor (the "Composition Agreement") or to the liquidation of the debtor's assets.

Insolvency Filing

A debtor (in the case of a company, its directors) is required to file the bankruptcy petition upon inability to regularly pay its liabilities as they become due. The debtor is also entitled (but not required) to apply for such insolvency proceedings when it foresees its inability to regularly pay liabilities as they become due. Creditors do also have standing to petition bankruptcy when the debtor is unable to regularly pay its debts as they come due. As an exception to this obligation, by means of the communication that is foreseen under article 5 bis of the Spanish Insolvency Law, a debtor can notify the court that it has started negotiations with its creditors to seek support for either an out-of-court refinancing agreement or an early composition agreement, in which the debtor will have a three month additional grace period to reach the agreement and one more to file for insolvency.

Bankruptcy is considered voluntary (concurso voluntario) if filed by the debtor. If the debtor requests the bankruptcy, it must prove its current or imminent insolvency. The debtor must file a petition for bankruptcy within two months after it becomes aware, or should have become aware, of its state of insolvency (inability to regularly pay the debts as they come due). It is presumed that the debtor becomes aware of its insolvency, unless otherwise proven, if any of the circumstances that qualify as the basis for a petition for mandatory insolvency occur. Where the debtor fails to file a petition for bankruptcy within the time period established by law (two months), (i) the directors may be removed from office and substituted by a bankruptcy authority once the bankruptcy is declared and the bankruptcy process is initiated; (ii) the debtor may be unable to exercise certain courses of action (including, inter alia, the possibility of submitting a pre-arranged settlement proposal); and the directors may be held liable for the impaired claims accrued as from the consent of insolvency, should the debtor be liquidated and bankruptcy be classified as "guilty."

Bankruptcy is considered involuntary (concurso necesario) if filed by a third party. Under article 2.4 of the Spanish Insolvency Act, a creditor can seek a debtor's declaration of insolvency if it can prove that the debtor has failed to attach or seize any assets, or sufficient assets, to pay the amount owed. A creditor may also apply for a debtor's insolvency if it can prove to the court (i) a generalized default on payments by the debtor, (ii) a seizure of assets affecting or comprising the generality of the debtor's assets, (iii) a misplacement, "fire sale," hasty, loss-making or ruinous liquidation of the debtor's assets or (iv) a generalized default on certain tax, social security and employment obligations during the applicable statutory period (i.e. three months).

Pre-Insolvency Filing

Spanish law currently contains a restructuring moratorium proceeding known as article 5.bis pre-bankruptcy proceeding, which is an insolvency proceeding under both Spanish and European regulation. It protects the debtor, for a four-months period, from petitions for involuntary cases.

The general duty to file for bankruptcy within the referred two-months period does not apply if the debtor notifies the applicable Court that it has initiated negotiations with its creditors to obtain support to reach a pre-arranged composition agreement (propuesta de convenio anticipado) or an out-of-court workout (a refinancing agreement) set out in Section 71.bis.1 or in the Fourth Additional Disposition of the Spanish Insolvency Act (the so-called 5 bis communication). Effectively, by means of the 5 bis communication, on the top of those two months, the debtor gains an additional three-months period as from the date when the debtor gives such notice, to achieve an agreement with its creditors or to obtain accessions to an anticipated composition agreement and one further month to file for bankruptcy, if after the above mentioned period of three months has elapsed without an agreement being reached and the situation of insolvency persists. During such period of time, creditors' petitions for involuntary cases will not be accepted.

Additionally, during the four-month protection period provided for by 5 bis notice (or three months according to certain case law), enforcement will be prevented (i) by creditors, other than public, over assets which are necessary for the continuity of the debtor's business and (ii) by financial creditors referred to in the 4th Additional Provision of the Spanish Insolvency Act over any asset, provided financial creditors holding at least 51% of the financial indebtedness (by value) of the insolvent debtor have expressed their will to commence negotiations in order to reach a refinancing agreement and have committed not to initiate or continue enforcement proceedings against the debtor.

Further, any outstanding enforcement action which falls into the above categories that was commenced before the filing for a pre-insolvency moratorium will be suspended.

Enforcement and Termination in a Pre-Insolvency Scenario

The obligations under the New Notes and the Guarantees might not necessarily be enforced in accordance with their respective terms in every circumstance, such enforcement being subject to, inter alia, the nature of the remedies available in the Spanish Courts, the acceptance by such court of jurisdiction, the discretion of the courts, the power of such courts to stay proceedings, the provisions of the Spanish Law on Civil Procedure (Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil) regarding remedies and enforcement measures available under Spanish law, the provisions of the Spanish Insolvency Act and other principles of law of general application. In this regard:

- Spanish law does not expressly recognize the concept of an indemnity. Section 1,152 of the Spanish Civil Code establishes that any penalty (cláusula penal) agreed by the parties in an agreement will substitute damages (indemnización de daños) and the payment of interest (abono de intereses) in an event of breach, unless otherwise agreed. Spanish Courts may modify the penalty agreed on an equitable basis if the debtor has partially or irregularly performed its obligations, unless the penalty (liquidated damages) was aimed at such partial performance (and in any event if it is deemed to be disproportionate according to the good faith principle). There is doubt as to the enforceability in Spain of punitive damages.

- Where obligations are to be performed in a jurisdiction outside Spain, they may not be enforceable in Spain to the extent that performance would be illegal under the laws of the applicable jurisdiction.

- Spanish law precludes the validity and performance of contractual obligations to be left at the discretion of one of the contracting parties. Therefore, Spanish courts may refuse to uphold and enforce terms and conditions of an agreement giving discretionary authority to one of the contracting parties.

- Spanish law, as applied by the Spanish Supreme Court, precludes an agreement being terminated on the basis of a breach of obligations, undertakings or covenants which are merely ancillary or complementary to the main undertakings foreseen under the relevant agreement (such as payment obligations under financing agreements), and allows Spanish courts not to enforce any such termination.

- Under Spanish law, acts carried out in accordance with the terms of a legal provision whenever said acts seek a result which is forbidden by or contrary to law, shall be deemed to have been executed in circumvention of law (fraude de ley) and the provisions whose application was intended to be avoided shall apply.

A Spanish Court may award damages if the specific performance of an obligation is deemed impracticable.

A Spanish Court may modify the obligations deriving from contracts in the terms considered necessary in order to restore the balance between the obligations, if unexpected and exceptional circumstances arise that were unforeseeable when the contracts were executed, which would have been expressly or implicitly assumed.

Effects of Bankruptcy Declaration

Effects for the Debtor

As a general rule, the debtor in a voluntary case retains its management power, but is subject to the intervention (intervención) of the insolvency trustee (administrador concursal), who is appointed by the court. In the case of mandatory insolvency, as a general rule, the debtor's management will be replaced (sustitución) by the insolvency trustee. However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency trustee's request, the court has the power to swap the intervention regime for a suspension regime or vice versa. Actions carried out by the debtor that breach any required supervision of the bankruptcy authorities may be declared null and void.

Effects on Contracts

Bankruptcy declaration does not affect contracts with reciprocal obligations pending performance by both parties by bankruptcy declaration (executory contracts), which remain in full force and effect, and the obligations of the insolvent debtor will be fulfilled against the insolvent estate. The court can nonetheless terminate (reject) any such contracts at the request of the insolvency trustee (provided that management's powers have been solely conferred upon the insolvency trustee), the company itself (if its powers to manage and dispose of its business are only subject to the intervention of the insolvency trustee) when such termination is in the interest of the estate (resolución del contrato en interés del concurso), or terminate for breach at the request of the non-insolvent party if there has been a breach of such contract. The termination of such contracts may result in the insolvent debtor having to return consideration received or indemnify its counterparty against the insolvency estate (con cargo a la masa). On the other hand, the judge may decide to cure any breach of the insolvent debtor at its request or the insolvency trustee's request (assumption) (mantenimiento del contrato en interés del concurso), in which case the non-insolvent party shall have a estate claim.

Creditors will be able to accelerate, but not to terminate executory contracts based only on bankruptcy declaration (declaración de concurso) of the debtor. All clauses in contracts with mutual obligations that entitle any party to terminate an agreement based solely on the other party's declaration of insolvency (ipso facto clauses) are deemed as not included in the agreement (void) and, therefore, unenforceable, except if expressly permitted by specific laws (i.e., agency laws).

Additionally, bankruptcy declaration suspends interest accrual, except for claims secured with an in rem right, in which case interest accrues up to the value of the security, and except for any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding Law of the State Budget (Ley de Presupuestos del Estado).

In any event, setoff is prohibited unless the requirements for the setoff were satisfied prior to the declaration of insolvency or the claim of the insolvent debtor is governed by a foreign law that permits set-off.

As a general rule, bankruptcy declaration stays, up to a year, enforcement proceedings tied to collateral necessary to pursue the ordinary course (excluding financial collateral, as defined in Royal Decree Law 5/2005, which can be enforced as any time, and where the collateral is located outside of Spain).

The enforcement of any security over certain assets that are necessary to the continuation of the commercial or professional activity of the insolvent company (in rem securities) is prohibited until the earlier of (i) an arrangement of a composition agreement being reached, provided that the Composition Agreement does not affect such right, (ii) one year having elapsed as of the declaration of the insolvency without the opening of the liquidation phase or (iii) the judge conducting the insolvency proceedings declaring that the asset is not necessary for the continuation of the debtor's activities in accordance with the Spanish Insolvency Act.

Nevertheless, shares/quota shares held by an insolvent debtor in another company whose only activity is the holding of a material asset and servicing the financing provided in connection with the acquisition of that asset, are not considered to be an asset necessary for the debtor's business activity as long as the foreclosure of the relevant security interest that has been granted over such shares/quota shares does not bring about an early termination or amendment of the contractual relations permitting the economic exploitation of the relevant asset.

Ranking of Credits

The judge's insolvency order contains an express request for creditors to declare debts owed to them within a one-month period following the last official publication in the Official State Gazette (Boletín Oficial del Estado) of the court order declaring the insolvency (proof of claims), by providing original documentation that justifies their claims. Based on such documentation provided by the creditors and held by the debtor, the insolvency trustee draws up a list of acknowledged claims and classifies them according to the categories established under law, which are as follows: (i) claims against the debtor's estate, (ii) claims benefiting from special privileges, (iii) claims benefiting from general privileges, (iv) ordinary claims and (v) subordinated claims.

(a) Claims against the insolvency estate (créditos contra la masa) from Section 84 of the Spanish Insolvency Act sets out the so-called "estate claims" which are pre-deductible claims from the estate (excluding those assets of the insolvent debtor subject to in rem security), are generally payable when due according to their own terms (and, therefore, are paid before other claims). Debt against the insolvency estate includes, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts deriving from executory contracts and obligations to return and indemnify in cases of voluntary termination or breach by the insolvent debtor, those amounts that derive from the exercise of a clawback action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it, if tied to bilateral contracts (except in cases of bad faith), (iv) certain amounts arising from obligations created by law or from tort liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (v) certain debts in the ordinary course of business incurred by the debtor following the declaration of insolvency; (vi) in case of liquidation, the credit rights granted to the debtor under a Composition Agreements in accordance with article 100.5 of the Spanish Insolvency Act, and (vii) 50% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the 4th Additional Provision of the Spanish Insolvency Act and in case of liquidation, the funds granted to the insolvent debtor within the composition agreement in accordance with article 100.5 of the Spanish Insolvency Act. This classification shall not apply to the new funds lent by the debtor or persons being in a special relationship with the debtor resulting from a share capital increase, loans or acts with analogous purpose.

(b) Claims benefiting from special privileges, representing security on certain assets (essentially in rem security). Creditors benefiting from special privileges, representing security over certain assets (in rem securities) up to the amount of the value of their security, provided that such security is listed in the creditors' list (in this regard, the value of a security shall be 90% of the reasonable value of the secured asset determined in accordance with the rules provided for in the Spanish Insolvency Act minus senior claims). The part of the claim exceeding the value of their security will be classified according to the nature of the claim. These claims benefiting from special privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year from the declaration of the insolvency and certain additional limitations set forth in the Spanish Insolvency Act. However, within such waiting period or while any enforcement proceedings remain suspended under the Spanish Insolvency Act, the insolvency trustee has the option to pay the relevant claims against the insolvency estate under specific payment rules. Privileged creditors are not subject to Composition Agreement, unless they give their express support by voting in favor of the Composition Agreement or, in case they do not give such express support, if creditors holding security which represent at least 60% (or 75% depending on the conditions of the Composition Agreement) of the total value of secured claims of the same class vote in favor of such composition agreement. In the event of liquidation, they are the first to collect payment against the secured assets on which they are secured.

(c) Claims benefiting from general privileges include, among others, certain labor debts and certain debts with public administrations. Other debts with public administrations corresponding to tax debts and social security obligations and debts held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved, are recognized as privileged for up to 50% of the amount of such debts. New funds under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the 4th Additional Provision of the Spanish Insolvency Act in the amount not admitted as a debt against the insolvency estate (crédito contra la masa) will also be credits with general privileges. The holders of general privileges are not to be affected by the restructuring (under a Composition Agreement) except if they give their express support by voting in favor of the Composition Agreement or, in the case they do not give such express support, if creditors holding claims benefiting from general privileges which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of claims benefiting from general privileges of the same class vote in favor of such composition agreement. If they do not agree to the arrangement and, in the event of liquidation, they are the first to collect payment (in the order established by law).

(d) Ordinary claims (non-subordinated and non-privileged claims) will be paid on a pro-rated basis from the proceeds of the assets not subject to secured claims, former pre-deduction of estate claims and generally privileged claims.

(e) Subordinated claims are thus classified contractually or pursuant to law. Debts subordinated by virtue of law include, among others, some credits held by parties in special relationships with the debtor. In the case of individuals, this includes their relatives, legal entities controlled by the debtor or its relatives, the factual or legal administrators of such legal entities, any other legal entity forming part of the same group of companies and the legal entities in respect of which the people described in this paragraph are their factual and legal administrators. In the case of a legal entity, the following shall be deemed as "specially related parties": (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any specially related party to these shareholders, as described herein), (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company's share capital (or 5% if the company is listed)—when the shareholder is an individual, those who would be specially related to the individual are also specially related to the debtor, or (iii) directors (either de jure or de facto), liquidators and those holding general powers of attorney from the insolvent company (including those people that have held these position during the two years prior to the insolvency declaration) and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the minimum shareholding requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights or were appointed as directors pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Section 71.bis or the 4th Additional Provision of the Spanish Insolvency Act shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any of the persons mentioned in this paragraph are presumed to be persons specially related to the insolvent debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared open.

Subordinated creditors are second-level creditors: they do not vote on the Composition Agreement and in the event of liquidation collect payment according to the ranking established in the Spanish Insolvency Act (once ordinary creditors have been paid in full).

Hardening Periods

There is no automatic claw-back by virtue of law. Therefore, there are no prior transactions that automatically become void as a result of initiation of the insolvency proceedings. The insolvency trustee may only challenge those transactions that could be deemed as being "detrimental" to the insolvent debtor's estate, provided that they have taken place within two years prior to bankruptcy declaration, even in the absence of fraudulent intent (in accordance with Article 71.7 of the Spanish Insolvency Act, transactions taking place four years before the insolvency declaration are subject to the general regime of rescission set forth in the Spanish Civil Code).

"Detriment" does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interests. Pursuant to the law, (a) detriment exists (as a non-rebuttable presumption, without admission of proof to the contrary) in the case of (i) disposals without consideration, except for ordinary largesse (liberalidades de uso) and (ii) early payment of unsecured obligations maturing after the insolvency declaration (except secured claims); and (b) detriment is deemed to exist (as a rebuttable presumption) in the case of (i) transactions entered into with parties that have a special relationship with the debtor, (ii) the creation of in rem rights in order to secure pre-existing obligations or those incurred to replace existing obligations and (iii) the cancellation of obligations secured by an in rem security falling due after the declaration of insolvency. In the remaining cases, detriment would have to be evidenced by the party seeking rescission.

Guarantees or security interests granted by a Spanish company in favor of a third party, to secure other group companies' debt may be subject to clawback, on the basis that such guarantees or security interests may be considered as detrimental to the guarantor's estate, if the guarantor is not able to show that there was a tangible and identifiable corporate benefit for the guarantor to grant such guarantee or security (beyond an abstract group interest or general mentions to pertinence to the same group of companies or the so-called "group interest"). Whether or not the granting of any upstream guarantee or security by the guarantor is detriment to the guarantor's estate is a factual matter that will need to be proven on a case by case basis (the beneficiary of the guarantee bearing the burden of such proof). Notwithstanding the foregoing, Spanish case law recognizes the validity of upstream guarantees.

If a rescission action is successful, restoration of the assets that are the subject of the transaction, together with the proceeds and interest, will be ordered by the judge. If the assets cannot be restored to the debtor, the counterparty to the insolvent debtor must pay an amount in cash equal to the value of the assets at the time of their disposal, plus interest. If the judge rules that the transaction has been conducted in bad faith, the liable party will be obligated to indemnify the debtor for loss and damages suffered as its claim will be classified as subordinated. If the judge does not conclude that the transaction was conducted in bad faith, the counterparty to the debtor will settle its credit simultaneously with the restoration of the assets and rights to the insolvency estate as per bilateral contracts.

The exercise of rescission actions does not prevent other actions against the debtor in accordance with law, which may be brought before the bankruptcy judge.

Under no circumstances can the following be rescinded: (i) ordinary transactions carried out within the debtor's ordinary course of the business cannot be rescinded, provided that they are carried out under market conditions, (ii) actions contemplated in the specific legislation regarding systems of payment, set-off or liquidation of values and derivative instruments, (iii) guarantees constituted in favor of Public Law credits or credits in favor of the labor authorities or (iv) transactions subject to foreign law in case the beneficiary of the transaction can prove that such transaction cannot be rescinded under the law to which it is subject to.

Neither "Refinancing Agreements," nor any transactions, acts and payments accomplished or any guarantees instituted in the performance of such "Refinancing Agreements," will be subject to an action for rescission, provided that they comply with the requirements set out below in section 'Protection of Certain Refinancing Agreements'.

Fraudulent Conveyance Laws

Under Spanish law, in addition to the bankruptcy clawback action, the insolvency trustee and any creditor may bring an action to rescind a contract or agreement (acción rescisoria pauliana) against its debtor and the third party which is a party to such contract or agreement, provided the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;
- such act was fraudulent;
- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed. Pursuant to Article 1,297 of the Spanish Civil Code (i) agreements by virtue of which the debtor transfers assets for no consideration and (ii) transfers for consideration carried out by parties who have been held liable by a court (sentencia condenatoria) or whose assets have been subject to a writ of attachment (mandamiento de embargo) will be considered fraudulent. The presumption referred to in (i) above is a juris et de jure presumption (cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a juris tantum presumption (a rebuttable presumption).

If the rescission action were to be upheld, the third party would be liable to return the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

Protection of Certain Refinancing Agreements

Certain refinancing agreements denominated "Collective Refinancing Agreements" may be protected from claw-back risk provided that they comply with certain requirements further explained in the section referred to as "—Cramdown Effects of Certain Refinancing Agreements."

In the case that such refinancing agreements are not subject to the procedure of judicial sanctioning therein described (homologación), they may still have certain (but not total) protection against clawback, if they are backed by at least 3/5 (60%) of the total claims of the insolvent debtor (calculated on an individual and on a consolidated basis but excluding intragroup claims). Among other requisites, the refinancing agreements must be founded on a viability plan reflecting that the insolvent debtor will be viable in the short and medium term and must comply with the rest of requirements explained below.

Cramdown Effects of Certain Refinancing Agreements

In order to seek protection against clawback, refinancing agreements can be judicially sanctioned (homologado) by the commercial court that will be competent to conduct a potential bankruptcy proceeding, upon request by the debtor or by any creditor having entered into such refinancing agreements, if (i) they entail a significant enlargement of debtor's credit or a change in the debt structure by either granting a longer term or replacing previous claims with new ones with longer maturity dates; (ii) they have been subscribed by creditors holding financial liabilities representing, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (that is to say the Spanish Insolvency Act excludes public creditors, labor creditors and those of commercial transactions in order to calculate whether the required thresholds are met) at the date of the refinancing agreement; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached (in the case of a group a companies, pursuant to certain precedents, the majority arguably refers both individually to each company and to the group as a whole -where the intercompany claims are not taken into account-), and when the company has no auditor, by the one appointed for this purpose; and (iv) the agreement is formalized in a public instrument and the documents that validate its content must be attached. Judicially sanctioned refinancing agreements will not be subject to the bankruptcy claw-back action, but they may be challenged pursuant to general fraudulent conveyance law.

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated loan will be deemed to have adhered to the refinancing agreement if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement. Whether or not dissidents can be extended effects beyond those provided by the law or object to homologation, and whether they have standing to object to homologation, is controversial.

The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured financial creditors including secured financial creditors to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out by the latest reform of the Spanish Insolvency Act and (ii) dissenting secured creditors in respect of their secured claims, provided they achieve the thresholds mentioned below:

(a) If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities, stays of payments may be granted for up to five years or the debt converted into so-called profit participation loans (préstamos participativos) of term up to five years.

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor.

(b) If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

    (i) stays of payments for up to ten years;

    (ii) haircuts;

    (iii) capitalization of debt. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or, as default option, (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;

(iv) conversion of debt into profit participation loans of up to ten years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

(v) assignment of assets or rights as assignment in kind for total or partial payment of the debt (datio pro solute or datio pro solvendo).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

Applicable Jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its "centre of main interests." This "centre of main interests" is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the "centre of main interests" are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide, with certain exceptions, such as security interests over assets located outside of Spain. If the "centre of main interests" is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "territorial insolvency proceedings").

In the event Spanish courts have jurisdiction, article 87.3 of the current Spanish Insolvency Act may apply, in which case the claims of the beneficiaries of the guarantee provided by a Spanish guarantor of the New Notes may be classified as "contingent" claims and no amount may be recognized until and when a default occurs and the guarantee is validly enforced. Nor will they have voting rights. Special rules can apply if the guarantee is not a first demand guarantee but an ordinary guarantee (fianza) and, therefore, the benefits of preference (excusión), order (orden) and division (división) apply.

Limitations on Validity and Enforcement of the Guarantees and Security Interests

In general terms, under Spanish law, any guarantee or security interest must guarantee or secure a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee or security agreement, and the nullity or termination of the primary obligation entails the nullity or termination of the ancillary guarantee or security interest. Consequently, if the primary obligation terminated, the ancillary guarantee or security interest will also be deemed null and void. In the event that the guarantor or security provider is able to prove that there are no existing and valid guaranteed or secured obligations, Spanish courts may consider that the guarantor or security provider's obligations under the relevant guarantee or security agreement are not enforceable. In addition, a guarantee or security interest may not be enforced in Spain without having validly accelerated (totally or partially, as applicable) the underlying agreements governing the guaranteed or secured obligations, and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the secured obligations.

A Spanish court may not accept acceleration (vencimiento anticipado) of an agreement if the default were of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would not be permitted by article 1,256 of the Spanish Civil Code.

Moreover, Spanish law may limit the ability of a Spanish guarantor of the New Notes to guarantee the New Notes or to grant security interests over its assets to secure the New Notes. Recent Spanish rulings which do not constitute settled case law indicate, and certain scholars understand, that risk associated with a guarantee or the value of a security interest provided by a Spanish company to guarantee or secure indebtedness held by other companies within its corporate group must be reasonable and economically and operationally justified from the Spanish company's perspective and justified under the corporate interest of such company. Notwithstanding the foregoing, there are rulings from the Spanish Supreme Court recognizing the validity of upstream guarantees.

Furthermore, the obligations of Arconvert S.A. under its Guarantee or under any security instrument granted by it cannot extend to any obligation which, if incurred, would constitute a breach of the Spanish financial assistance rules. Pursuant to these rules, the obligations of Arconvert S.A. under the Guarantee or any security granted or executed by it:

- shall not extend to any use of the proceeds of the New Notes for the purpose of acquiring shares representing the share capital of the Spanish Guarantor or shares representing the share capital of its direct or indirect parent company, or refinancing a previous debt incurred for the acquisition of shares representing the share capital of the Spanish Guarantor or shares representing the share capital of its direct or indirect parent company; and

- shall be deemed not to be undertaken or incurred by the Spanish Guarantor to the extent that the same would constitute unlawful financial assistance within the meaning of Article 150 and Article 143 of the Spanish Companies Act and, in that case, all provisions of such Guarantee or security shall be construed accordingly in the sense that in no case can any Guarantee or security given by the Spanish Guarantor provides any such unlawful financial assistance.

- Spanish law prohibits financial assistance (i) for public limited liability companies (sociedades anónimas (S.A.)) in relation to the acquisition of their own shares or the shares of any direct or indirect parent company and (ii) for private limited liability companies (sociedades de responsabilidad limitada (S.L.)), in relation to the acquisition of their own shares and the shares of any member of their corporate group. Therefore, Spanish law governed guarantees or security interests granted or assumed by subsidiaries incorporated under the laws of Spain shall not extend to any payment obligation incurred by the Issuer for the purpose of acquiring the shares of such Spanish subsidiary or the shares of its direct or indirect parent company or, as applicable, any member of their group, to the extent that such security interest would constitute unlawful financial assistance within the meaning of Article 150 and 143 of Spanish Decree 1/2010 dated July 2 on Spanish Corporations (Ley de Sociedades de Capital). This limitation may also apply to the refinancing of acquisition debt, although this is widely debated between academics. Accordingly, any guarantee or security interest granted by any Spanish subsidiary shall not apply to the extent the proceeds are used to repay existing indebtedness of the Issuer if such existing indebtedness was used for the purposes described above. No whitewash procedures are available. Accordingly, the guarantee granted by any Spanish company will be limited by the amount of the funds that are not used for unlawful financial assistance purposes.

- Under Spanish law there are some provisions on capitalization which have to be taken into account when guarantees are enforced. For example, when the enforcement of the guarantee causes the amount of the relevant Spanish subsidiary net equity (patrimonio neto) to fall below half of its share capital, the Spanish subsidiary will need to be wound up (disolverse), unless its share capital is increased or decreased in the required amount to reestablish the balance between its net equity and its share capital, and provided that it is not required to declare its insolvency.

In addition, and while this remains a matter debated between Spanish scholars, it is possible that certain defenses available to the Spanish Guarantor relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, capital preservation or thin capitalization may limit the amount guaranteed under the Guarantee by reference to the net assets and share capital of the Spanish Guarantor and the amount secured under the relevant security agreement by reference to the value of the collateral.

Under the Spanish Companies Act (Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley, de Sociedades de Capital), Spanish companies (both public limited liability companies (sociedades anónimas (S.A.)) and private limited liability companies (sociedades de responsabilidad limitada (S.L.))) may issue and guarantee (or provide security for) numbered series of notes and other securities that recognize or create debt, with certain restrictions applicable to limited liability companies (sociedades de responsabilidad limitada (S.L.)). In particular, pursuant to Section 401 of the Spanish Companies Act, the Guarantee provided by the Spanish Guarantor incorporated under the form of limited liability companies ("sociedades de responsabilidad limitada" or "S.L.s"), is subject to the following restrictions: (a) S.L.s can only issue and guarantee notes up to an aggregate maximum amount of twice its own equity (recursos propios), unless the issue is secured by a mortgage, a pledge of securities, a public guarantee or a joint guarantee from a credit institution S.L.s are prohibited to issue or guarantee (or provide security for) notes convertible into quota shares (participaciones sociales).

In respect of the restrictions applicable to limited liability companies (sociedades de responsabilidad limitada (S.L.)), there is no consistent opinion among scholars and practitioners yet nor case law regarding the interpretation of Section 401 of the Spanish Companies Act.

Under Spanish law, claims may become time barred (five years being the general term established for obligations in personam under Article 1,964 of the Spanish Civil Code (Código Civil)) or may be or become subject to the defense of set-off or counterclaim.

The terms "enforceable," "enforceability," "valid," "legal," "binding" and "effective" (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement before the courts will in any event be subject to:

- the nature of the remedies available; and
- the availability of defenses such as (without limitation) setoff (unless validly waived), circumvention of law (fraude de ley), abuse in the exercise of rights (abuso de derecho), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

Spanish law does not recognize the concepts of "trust" or "security agent" and there is some uncertainty as to whether a Spanish court would recognize the authority of a security agent (including the Security Agent) and whether this would cause delays in the enforcement and the consequences of not being able to enforce the collateral as provided in the relevant security agreements. Although this by itself does not prohibit appointing the Security Agent and/or the applicable Trustee, the absence of regulation creates uncertainty as to how a Spanish court would recognize the Security Agent and/or the applicable Trustee's actions in an enforcement situation. Some legal scholars argue that a security agent (such as the Security Agent) or a trustee (such as the applicable Trustee) would only be entitled to enforce its portion of the secured obligation but not that of the other secured parties. Therefore, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent and/or the applicable Trustee, and enforcement thereof by the Security Agent and/or the applicable Trustee, may be subject to a due and express power of attorney granted by each of the secured parties in favor of the Security Agent and/or the Trustee for such purpose, duly notarized and legalized (and, if applicable, duly apostilled in accordance with the Hague Convention of October 5, 1961).

Likewise, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent, in its capacity as joint and several creditor (acreedor solidario) of the secured parties, has not been tested before the Spanish courts. Moreover, the structure of joint and several creditor is not expressly contemplated under Spanish law in a situation in which the joint and several creditor does not hold a portion of the secured obligation itself. As a result, the ability of the Security Agent to represent the applicable Trustee and the holders of the New Notes may be challenged.

According to Spanish law, the law governing in rem legal aspects of a pledge is the law applicable in the place of location of the pledged asset (lex rei sitae). When the pledged asset is a credit right—such as receivables or intercompany loans—the determination of the lex rei sitae is unclear given its lack of physical existence. In these cases, several theories have been construed amongst Spanish scholars so as to determine the lex rei sitae (such as domicile of debtor of the credit rights being pledged, domicile of pledgor, law governing the credit right being pledged, etc.). If a judge considered that any of the pledges created over credit rights under the Spanish security documents is governed by the Catalonian Civil Code, then this regulation would govern those pledges instead of the Spanish civil common law, which could determine the challenge of the validity of such pledges.

The concept of "parallel debt" may be questioned under Spanish law and we are not aware of any court precedent where it has been recognized by a Spanish Court.

Without notarization of the security documents, the secured parties will not have access to the executive summary proceedings (juicio ejecutivo) in case of judicial enforcement of the security documents in Spain, having the secured parties to follow necessarily the ordinary judicial proceedings (juicio ordinario).

United Kingdom

HoldCo is subject to certain English law Issue Date Collateral. Any insolvency proceedings by or against HoldCo would likely be based on English insolvency laws. However, pursuant to the Recast Insolvency Regulation on Insolvency Proceedings, where a company incorporated under English law has its "centre of main interests" in a member state of the European Union other than England and Wales, then the main insolvency proceedings for that company may be opened in the member state in which its centre of main interests is located and be subject to the laws of that member state. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened.

Similarly, the UK Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (i.e., non-English) court may have jurisdiction where any English company has its centre of main interests in such foreign jurisdiction, or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services). To the extent that the UK Cross-Border Insolvency Regulations 2006 conflict with an obligation of the United Kingdom under the EU Insolvency Regulation, the requirements of the EU Insolvency Regulation will prevail.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar and, in the event that HoldCo experience financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in court, the company or the holder of a "qualifying floating charge" (discussed below) making an application for administration out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of a liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

The IA86 has no test for or definition of insolvency per se, but relies on the concept of a company being "unable to pay its debts" as the keystone for many of its provisions. Pursuant to section 123 of the IA86, a company is deemed unable to pay its debts in certain circumstances, including, among others, the following: (i) if a creditor to whom the company is indebted in a sum exceeding £750 then due has served a statutory demand on the company requiring the company to pay the sum so due and the company has for three weeks thereafter failed to pay, secure or compound the sum, (ii) if it is proved to the satisfaction of the court that the company is unable to pay its debts as they fall due or (iii) if it is proved to the satisfaction of the court that the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

The obligations under the New Notes are secured by English law governed security interests over the Collateral and therefore English insolvency laws and other limitations could limit the enforceability of security interests over the Collateral.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the security interests over the Collateral that are governed by English law. The application of these laws could adversely affect investors and their ability to enforce their rights and/or the Collateral securing the Notes and therefore may limit the amounts that investors may receive in an insolvency of an English company.

Fixed and Floating Charges

Fixed charge security has a number of advantages over floating charge security: (a) an administrator appointed to the company which granted the floating charge can dispose of floating charge assets for cash or collect receivables charged by way of floating charge and use the proceeds and/or cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business while in administration) in priority to the claims of the floating charge holder; (b) a fixed charge over assets, even if created after the date of a floating charge over the assets, may rank prior to the floating charge over the relevant assets providing that the floating charge has not crystallized at the time the fixed charge is granted; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of floating charge assets to the extent the assets of the company available for creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge; (e) floating charge security is subject to certain challenges under English insolvency law; and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and, where the floating charge is not a security financial collateral arrangement, to the claims of unsecured creditors in respect of a ring fenced amount of the proceeds.

Under English law there is a possibility that a court could recharacterize as floating charges any security interests expressed to be created by a security document as fixed charges where the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof or does not exercise such control in practice as the description given to the charges in the relevant security document as fixed charges is not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the New Notes. The sale of the New Notes will be made pursuant to a purchase agreement among the Issuer, Fedrigoni and the Initial Purchasers to be dated the date of the final Offering Memorandum (together the "Purchase Agreement").

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the New Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all of the New Notes if they purchase any of them. The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the New Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the Offering may be terminated.

The Initial Purchasers initially propose to offer the New Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial Offering, the Initial Purchasers may change the price at which the New Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the New Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Persons who purchase New 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 Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out-of-pocket expenses.

The Sponsor or its affiliates may place a purchase order for and be allocated the New Notes at a purchase price per New Note equal to the issue price set forth on the cover page of this Offering Memorandum, subject to a pass through of the Initial Purchasers' discount (ignoring any credit) in respect of the New Notes purchased by such persons.

The Purchase Agreement provides that the Issuer and the Guarantors (as of the date of its accession to the Purchase Agreement) will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the purchase agreement, any debt securities of, or guaranteed by, the Issuer, Fedrigoni or the Guarantors that are substantially similar to the New Notes during the period from the date of the purchase agreement through and including the date falling 45 days after the closing of the Offering without the prior written consent of the Initial Purchasers.

The New Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the New Notes are restricted as described under "Important Information About This Offering Memorandum" and "Notice to Investors."

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any New Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Notes in, from or otherwise involving the United Kingdom; and

- it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following (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 Mediation 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 Directive.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the New Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the New Notes in any jurisdiction where action for this purpose is required. Accordingly, the New 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 New Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering of the New Notes, the distribution of this Offering Memorandum and resale of the New Notes. See "Notice to Investors."

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 Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the New Notes.

The New Notes are a new issue of securities for which there currently is no market. The Issuer has applied, through its listing agent, for the listing of and permission to deal in the New Notes on the Official List of the Exchange. However, the Issuer cannot assure you that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the New Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the New Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the New Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any New Notes at a particular time or at a price which will be favorable to you. See "Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests—There may not be an active trading market for the New Notes, in which case your ability to sell the New Notes will be limited."

We expect that delivery of the New Notes will be made against payment on the New Notes on or about the date specified on the cover page of this Offering Memorandum, which will be ten Business Days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the New Notes (this settlement cycle is being referred to as "T+10"). 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 New Notes on the date of this Offering Memorandum or the next seven succeeding Business Days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the New Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit the Initial Purchasers to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the New Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the New Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the Offering, the Stabilization Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the New Notes. Specifically, the Stabilization Manager may bid for and purchase New Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the New Notes. The Stabilization Manager may also over-allot the offering, creating a syndicate short position, and may bid for and purchase New Notes in the open market to cover the syndicate short position. In addition, the Stabilization Manager may bid for and purchase New Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the New Notes above market levels that may otherwise prevail. The Stabilization Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the New Notes. See "Risk Factors—Risks Related to the New Notes, the Guarantees and the Security Interests—There may not be an active trading market for the New Notes, in which case your ability to sell the New Notes will be limited."

These stabilizing transactions, covering transactions and penalty bids may cause the price of the New Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering of the New Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the New Notes and 60 days after the date of the allotment of the New Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to the Issuer or Fedrigoni and their affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchasers or their respective affiliates have received, and expect to receive, customary fees and commissions for the Transactions. Certain of the Initial Purchasers and their affiliates are lenders and/or agents under the Cordenons Bridge Facilities, which are being repaid with the proceeds from the Offering, and under the Revolving Credit Facility, and such entities may act as counterparties in the hedging arrangements we expect to enter into in connection with the Transactions, and have received or will receive customary fees for their services in such capacities. Among other things, an affiliate of BNP Paribas acts as agent under the Revolving Credit Facility.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, Fedrigoni, the Guarantors or their respective affiliates. The Initial Purchasers and their affiliates may also receive allocations of the New Notes. The Initial Purchasers and their respective affiliates may also, in the future, act as hedge counterparties to the Issuer or Fedrigoni consistent with their customary risk management policies. Typically, such 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 securities, including potentially the New Notes. Any such short positions could adversely affect future trading prices of New Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of any of the New Notes and/or the Guarantees offered hereby.

The New Notes and the Guarantees (together, the "Securities") have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction and, 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 Securities Act and the securities laws of any other applicable jurisdiction. Accordingly, the Securities are being offered and sold only (i) to qualified institutional buyers (as defined in Rule 144A, "QIBs") in reliance on Rule 144A and (ii) outside the United States in an offshore transaction (as defined in Regulation S) in reliance on Regulation S.

We have not registered and will not register the Securities under the Securities Act and, therefore, the Securities may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the Securities to the Initial Purchasers for re-offer and resale only:

- in the United States to QIBs in compliance with Rule 144A; and
- outside the United States in an offshore transaction in accordance with Regulation S.

We use the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

Each purchaser of the Securities hereunder (other than each of the Initial Purchasers) will be deemed to have acknowledged, represented, warranted and agreed with the Issuer, the Guarantors and the Initial Purchasers as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

(1) it understands and acknowledges that (i) the Securities have not been registered under the Securities Act or the securities laws of any other applicable jurisdiction and that the Securities are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A and (ii) unless so registered, the Securities may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws or pursuant to an exemption therefrom, or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below;

(2) it is either (a) a QIB and is aware that any sale of these Securities to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB, or (b) it is purchasing the Securities outside the United States in an offshore transaction in accordance with Regulation S;

(3) it acknowledges that none of the Issuer, the Group, the Initial Purchasers, or any person representing any of the foregoing, has made any representation to it with respect to us or the offer or sale of any Securities, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Securities. It has had access to such financial and other information concerning us and the Securities as it has deemed necessary in connection with its decision to purchase any of the Securities, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers. 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;

(4) it is purchasing the Securities for its own account, or for an account with respect to which it exercises sole investment discretion and 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 Securities Act or any other applicable securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Securities to a QIB pursuant to Rule 144A or in offshore transactions pursuant to Regulation S or any other exemption from registration available under the Securities Act;

(5) it understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Securities, and each subsequent holder of the Securities by its acceptance thereof will be deemed to agree, that if in the future it decides to resell, pledge or otherwise transfer any Securities or any beneficial

interests in any Securities, it will not do so prior to the date which is, in the case of Securities offered to QIBs, one year after the later of the original issue date of such Securities, the original issue date of the issuance of any additional securities and the last date on which the issuer or any affiliate of the issuer was the owner of such Security (or any predecessor of such Security) only (a) to the Issuer, the Guarantors or any subsidiary thereof, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as such Security is eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's right prior to any such offer, sale or transfer pursuant to clause (d) or (e) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to it, including a certificate of transfer in the form appearing on the reverse of such Security.

(6) it understands that the 144A Securities will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER OF THIS SECURITY (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) ("QIB"); (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY OR A BENEFICIAL INTEREST IN THIS SECURITY, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF SUCH SECURITIES, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL SECURITIES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT 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 UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT, INCLUDING A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS SECURITY; AND (3) AGREES THAT IT WILL TRANSFER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Securities, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Securities as well as to holders of these Securities:

(1) it agrees that it will, and each subsequent holder is required to, give to each person to whom it transfers the Securities notice of any restrictions on the transfer of such Securities, if then applicable;

(2) it acknowledges that the Registrar will not be required to accept for registration or transfer any Securities acquired by it except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with;

(3) it acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any

Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations, warranties and agreements on behalf of each such investor account; and

(4) it understands that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Securities or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Securities in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set forth under "Notice to U.S. Investors," "Notice to Investors" and "Plan of Distribution."

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Kirkland & Ellis International LLP, as to matters of United States federal, New York state and English law, by Latham & Watkins LLP, as to matters of Italian and Spanish law, and by Pirola Pennuto Zei & Associati, as to matters of Italian tax law. Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Milbank, Tweed, Hadley & McCloy LLP, as to matters of United States federal, New York state and English law, by Gattai, Minoli, Agostinelli & Partners, as to matters of Italian law, by Uría Menéndez Abogados, S.L.P, as to matters of Spanish law, and by Facchini Rossi & Soci Studio Tributario Associato, as to matters of Italian tax law.

INDEPENDENT AUDITORS

The consolidated financial statements of Fedrigoni S.p.A. and its subsidiaries for the years ended December 31, 2015, 2016 and 2017, included in this Offering Memorandum, have been audited by Deloitte & Touche S.p.A., independent auditors, as stated in their reports included herein.

WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the New Notes from the Initial Purchasers will be furnished with 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 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 (1) above, no person has been authorized to give any information or to make any representation concerning the New 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.

While any of the New Notes remain outstanding and are "restricted securities" within the meaning of the Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Pursuant to the Indenture, and so long as the New Notes are outstanding, we will furnish periodic information to holders of the New Notes. See "*Description of the Notes—Certain Covenants—Reports*."

Copies of the Issuer's organizational documents, the Indenture, the Intercreditor Agreement and our most recent consolidated financial statements published by us may be inspected and obtained at the office of the Paying Agent during normal business hours for a period of 14 days following the grant of listing of the New Notes. See "*Listing and General Information*." Copies of such documents will also be available from the Issuer upon written request to the address of the Issuer on and after the grant of listing of the New Notes.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application has been made to list the New Notes on the Official List of Euronext Dublin and for the admission of the New Notes to trading on the Global Exchange Market of Euronext Dublin.

For so long as the New Notes are listed on Euronext Dublin and the rules of that exchange require, copies of the following documents may be inspected in physical/electronic form and obtained free of charge at the specified office of the Paying Agent during normal business hours on any weekday:

- the organizational documents of the Issuer and the Guarantor;
- our most recent audited consolidated financial statements, and any interim quarterly financial statements published by us;
- the Offering Memorandum;
- the Indenture; and
- the Intercreditor Agreement.

We will maintain a principal paying agent and transfer target in London for as long as any of the New Notes are listed on Euronext Dublin.

According to the Rules and Regulations of Euronext Dublin, the New Notes will be freely transferable on Euronext Dublin in accordance with applicable law.

Clearing Information

The New Notes bear the same common codes and ISIN as the Existing Notes. The New Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream. The common codes and identification numbers ("ISIN Number") for the New Notes are set forth below:

	Common Code	ISIN Number
144A Notes	181622067	XS1816220674
Regulation S Notes	181622032	XS1816220328

The Issuer

The Issuer, Fabric (BC) S.p.A., was incorporated in Italy as Fabric (BC) S.r.l., and converted to a società per azioni, incorporated and established under the laws of Italy, registered under number 10134140960 and having its registered office at Via Vittor Pisani no. 20, Milan, on January 15, 2018. The Issuer has an authorized share capital of €1,000,000 divided into 1,000,000 fully paid shares with a par value of €1 each. The Issuer's immediate shareholder is Fedrigoni Holding Limited which is indirectly controlled by the Sponsor.

The Guarantors

Arconvert S.A. is a sociedad anònima incorporated and established under the laws of Spain, registered under book 538, Page 193, sheet GI-2845 and having its registered office at Carretera Cartella Km 6, polìgono Industrial Centre, Domenysant Gregori, 17150 Girona. Arconvert S.A. has an authorized share capital of €1,250,000 divided into 1,250,000 shares with a par value of €1 each.

Bianco (BC) S.p.A., is a società per azioni, incorporated and established under the laws of Italy, registered under number 10381070969 and having its registered office at Via Vittor Pisani no. 20, Milan, on June 7, 2018. Bianco (BC) S.p.A. has an authorized share capital of €50,000 divided into 50,000 fully paid shares with a par value of €1 each.

Arconvert S.A. and Fedrigoni are subsidiaries of the Issuer, and the Issuer directly and/or indirectly owns (i) 99% of the outstanding shares of capital stock and equity interests of Arconvert S.A. and (ii) 99.99945% of the outstanding shares of capital stock and equity interests of Fedrigoni. ¶

Based on Fedrigoni's audited consolidated financial information for and as of the year ended December 31, 2017:

(i) Arconvert S.A. and Fedrigoni (collectively) recorded an aggregate Adjusted EBITDA of €110.2 million and had net assets of €613.3 million, representing 82.0% and 64.2%, respectively, of the Fedrigoni Group Adjusted EBITDA and net assets; and

(ii) the members of the Fedrigoni Group that are not the Guarantor or Fedrigoni SpA collectively recorded an aggregate Adjusted EBITDA of €24.2 million and had net assets of €341.3 million, representing 18.0% and 35.8%, respectively, of the Fedrigoni Group's Adjusted EBITDA and net assets.

As the Issuer was not part of the Group as of December 31, 2017, financial information of the Issuer is not provided in the Listing Particulars.

Arconvert and Fedrigoni S.p.A., will, unconditionally and fully guarantee, on a joint and several basis, the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes (subject to any limitations on such guarantees by virtue of applicable local law).

The financial information presented in the Listing Particulars is the audited consolidated financial information of Fedrigoni, which includes both Guarantor and non-Guarantor subsidiaries.

See below information on guarantor of the Notes that individually represents in excess of 20% of Fedrigoni Group Adjusted EBITDA or net assets.

Name:	Fedrigoni S.p.A.
Registered Adress:	Viale Piave 3, Verona (VR)
Registration Number:	01664630223
Date of Incorporation:	August 9, 1999
Description of Business Activities:	See "*Business—Overview*" in the Listing Particulars

For and as of the year ended December 31, 2017, Fedrigoni S.p.A. recorded Adjusted EBITDA of €91.3 million and had net assets of €517.5 million, which represented 67.9% and 54.2%, respectively, of the Fedrigoni Group's Adjusted EBITDA and net assets.¶

As the non-guarantor subsidiaries represented more than 25% of the Adjusted EBITDA, total assets and total liabilities of the Group for and as of the year ended December 31, 2017, the Group's consolidated financial statements may be of limited use to investors in assessing the financial position of the Guarantors.

Other than as disclosed in the Listing Particulars, there are currently no encumbrances on the Guarantors assets that could materially affect their ability to meet their obligations under the Guarantees. Although the Guarantors may be affected by some or all the general risks set out in "Risk Factors" of the Listing Particulars, we do not believe there are any risks specific to the Guarantors that could adversely impact on the Guarantees.

Resolutions, Authorizations and Approvals by Virtue of which the Notes have been Issued

The Issuer and the Guarantors have obtained all necessary consents, approvals and authorizations (if any) in connection with the issuance of the Notes. The issuance of the New Notes was approved by resolutions of the board of directors of the Issuer on June 18, 2018 and July 11, 2018.

Material Adverse Change in the Issuer's Financial Position

Except as disclosed elsewhere in this Offering Memorandum, there has been no significant change in our consolidated financial or trading position since March 31, 2018. There has been no material adverse change in our prospects since December 31, 2017.

Litigation

Except as disclosed elsewhere in this Offering Memorandum, we are not involved, nor has the Group been involved during the twelve months preceding the date of this Offering Memorandum, in any legal, arbitration, governmental or administrative proceedings which would, individually or in the aggregate, have a significant effect on its financial position or profitability and, so far as each is aware, having made all reasonable inquiries, there are no such legal, arbitration or administrative proceedings pending or threatened.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FEDRIGONI GROUP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	March 31, 2018	December 31, 2017
		(in thousands of Euros)	
Non-current assets			
Property, plant and equipment	*5*	313,169	315,589
Intangible assets	*6*	54,263	56,771
Investment property	*7*	476	486
Equity-accounted investments in associates		2,343	2,299
Tax credits	*8*	1,476	1,476
Deferred tax assets	*9*	26,273	26,806
Other non-current assets	*11*	11,874	12,120
Total non-current assets		**409,874**	**415,547**
Current assets			
Inventories	*12*	210,628	198,210
Trade receivables	*10*	245,332	246,628
Tax credits	*8*	1,035	1,011
Financial assets	*13*	3,019	24,104
Other current assets	*11*	22,917	15,480
Cash and cash equivalents	*14*	35,838	44,699
Derivatives		280	74
Total current assets		**519,049**	**530,206**
Non-current assets held for sale	*15*	8,815	8,815
Total assets		**937,738**	**954,568**
Share capital		40,000	40,000
Reserves and retained earnings		414,193	404,801
Equity attributable to owners of the parent		**454,193**	**444,801**
Total equity	*16*	**454,193**	**444,801**
Non-current liabilities			
Due to banks and other lenders	*17*	53,439	59,543
Employee benefits	*18*	17,713	17,962
Provisions for risks and charges	*19*	30,378	30,815
Deferred tax liabilities	*9*	21,439	21,564
Other non-current liabilities	*20*	1,767	2,000
Total non-current liabilities		**124,736**	**131,884**
Current liabilities			
Due to banks and other lenders	*17*	63,592	102,822
Trade payables	*20*	224,819	221,773
Current tax liabilities		8,759	4,848
Other current liabilities	*20*	60,683	47,167
Derivatives		230	547
Total current liabilities		**358,083**	**377,157**
Liabilities associated with assets held for sale	*15*	726	726
Total liabilities		**483,545**	**509,767**
Total equity and liabilities		**937,738**	**954,568**

CONSOLIDATED INCOME STATEMENT

	Note	Three months ended March 31, 2018	Three months ended March 31, 2017
		(in thousands of Euros)	
Sales revenues	*21*	254,303	278,947
Other operating income	*22*	1,812	2,193
Cost of materials	*23*	(144,730)	(146,680)
Cost of services	*24*	(51,185)	(55,367)
Cost of personnel	*25*	(37,345)	(38,087)
Other costs	*26*	(2,250)	(5,744)
Depreciation and amortization	*27*	(9,614)	(9,939)
Change in inventories of work in progress, semi-finished goods and finished products		7,840	(1,851)
Cost of capitalized in-house work		513	65
Operating income		**19,344**	**23,537**
Financial income		3,927	5,357
Finance costs		(5,814)	(6,743)
Net financial income/(costs)	*28*	(1,887)	(1,386)
Share of profits of associates		44	11
Profit before tax		**17,501**	**22,162**
Income taxes	*29*	(4,771)	(7,849)
Net profit		**12,730**	**14,313**
Net profit attributable to:			
—Owners of the Parent		12,730	14,313
Earnings per share (in Euros):			
—Basic and diluted	*30*	0.16	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended March 31,	
	2018	**2017**
	(in thousands of Euros)	
Net profit for the period	**12,730**	**14,313**
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	36	(311)
Income tax relating to other comprehensive income	(9)	75
	27	**(236)**
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations and other movements	**(3,365)**	**708**
Other comprehensive income/(loss) for the period, net of income tax	**(3,338)**	**472**
Total comprehensive income /(loss) for the period	**9,392**	**14,785**
Attributable to owners of the Parent	*9,392*	*14,785*

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands of Euros)	
Profit before tax	**17,501**	**22,162**
Adjustments for:		
Depreciation of property, plant and equipment	8,486	8,618
Amortization of intangible assets	1,118	1,311
Depreciation of investment property	10	10
Charges to risk provisions	704	4,480
Charges to provision for doubtful debts	317	492
Share of profits of associates	(44)	(11)
Net financial income /(costs)	1,887	1,386
Cash flow from operating activities before movements in working capital and income taxes paid	**29,979**	**38,448**
Change in trade receivables	261	(6,400)
Change in trade payables	3,791	2,357
Change in inventories	(13,392)	1,008
Use of provisions for risks	(967)	(972)
Use of provisions for personnel	(275)	(329)
Change in other assets /(liabilities)	25,963	(2,370)
Cash generated from operations before income taxes paid	**45,360**	**31,742**
Income taxes paid	(257)	(610)
Net cash generated by operating activities	**45,103**	**31,132**
Cash flow from investing activities		
Investments in intangible assets	(95)	(362)
Investments in property, plant and equipment	(7,879)	(7,783)
Disposals of property, plant and equipment and intangible assets	45	8
Financial income received	443	555
Net cash generated by/(used in) investing activities	**(7,486)**	**(7,582)**
Finance costs paid	(877)	(970)
New short-term bank loans raised	1,264	1,129
Repayment of short-term bank loans	(30,728)	(8,354)
Repayment of medium/long-term bank loans	(15,757)	(15,219)
Repayment of financing from leasing companies	(56)	(1,692)
Net cash generated by/(used in) financing activities	**(46,154)**	**(25,106)**
Net increase/(decrease) in cash and cash equivalents for the period	**(8,537)**	**(1,556)**
Cash and cash equivalents at the beginning of the period	44,699	34,066
Effects of exchange rate changes on the balance of cash held in foreign currencies	(324)	(117)
Cash and cash equivalents at the end of the period	**35,838**	**32,393**

Consolidated Statement of Changes in Equity

	Share capital	Share premium reserve	Legal reserve	Reserve for fair value adjustments to employee benefits	Other reserves	Profit/loss for the period	TOTAL	Attributable to owners of the Parent
				(in thousands of Euros)				
January 1, 2017	**40,000**	**51,829**	**8,000**	**(2,909)**	**324,111**	**—**	**421,031**	**421,031**
Net profit for the period	**—**	**—**	**—**	**—**	**—**	**14,313**	**14,313**	*14,313*
Actuarial gains on defined benefit plans	**—**	**—**	**—**	(236)	**—**	—	**(236)**	*(236)*
Exchange differences on translating foreign operations and other movements	**—**	**—**	**—**	**—**	708	—	**708**	*708*
Comprehensive income for the period	**—**	**—**	**—**	**(236)**	**708**	**14,313**	**14,785**	**14,785**
Allocation of profit	**—**	**—**	**—**	**—**	14,313	(14,313)	**—**	—
March 31, 2017	**40,000**	**51,829**	**8,000**	**(3,145)**	**339,132**	**—**	**435,816**	**435,816**
January 1, 2018	**40,000**	**51,829**	**8,000**	**(2,800)**	**347,772**	**—**	**444,801**	**444,801**
Net profit for the period	**—**	**—**	**—**	**—**	**—**	**12,730**	**12,730**	*12,730*
Actuarial gains on defined benefit plans	**—**	**—**	**—**	27	**—**	—	**27**	*27*
Exchange differences on translating foreign operations and other movements	**—**	**—**	**—**	**—**	(3,365)	—	**(3,365)**	*(3,365)*
Comprehensive income for the period	**—**	**—**	**—**	**27**	**(3,365)**	**12,730**	**9,392**	**9,392**
Allocation of profit	**—**	**—**	**—**	**—**	12,730	(12,730)	**—**	—
March 31, 2018	**40,000**	**51,829**	**8,000**	**(2,773)**	**357,137**	**—**	**454,193**	**454,193**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Introduction

The condensed interim consolidated financial statements for the three months ended March 31, 2018, approved by the Board of Directors of Fedrigoni S.p.A. (the "Company" or the "Parent Company") on June 12, 2018, have been drawn up on a voluntary basis in relation to a financing transaction by Fabric (BC) S.p.A., the current shareholder.

1. GENERAL INFORMATION

Fedrigoni S.p.A. is a company incorporated and domiciled in Italy and organized under Italian law.

The Company, whose registered office is at Viale Piave 3, Verona, Italy, was incorporated on August 5, 1999 under the name Papelco S.r.l. It changed its name to Fedrigoni Cartiere S.p.A. on December 18, 1999 and then to Fedrigoni S.p.A. on January 1, 2011. San Colombano S.p.A., whose registered office is at Viale Piave 3, Verona, Italy, controlled the Company with 99.99% of the voting shares up to April 16, 2018, the date on which the agreement for the sale of the shares held by San Colombano S.p.A. was concluded in favor of Fabric (BC) S.p.A. (the "Holding Company") a company indirectly owned by Bain Capital Private Equity.

The Fedrigoni Group, comprised of the Company and its subsidiaries, (collectively, the "Group") produces and sells paper, security products and self-adhesive items (converting segment). Specifically, it produces, transforms and distributes worldwide coated and uncoated graphic papers for the general and specialized press and for publishing, bookbinding, packaging, finishing and converting applications for commercial and personal use, technical and industrial use, office use, and artistic and scholastic use. The Group produces, converts and distributes worldwide adhesive and anti-adhesive papers and materials. It is the sole Italian producer of paper for banknotes and one of the world's leading names in this particular market segment. The Group's main brands are *Fedrigoni* and *Fabriano*.

2. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 on interim financial reporting. IAS 34 allows the publication of "condensed" financial statements containing significantly less detailed reporting than the ones required by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU-IFRS), whenever complete EU-IFRS-compliant financial statements have previously been made available to the public. These condensed interim consolidated financial statements should therefore be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2017 prepared in accordance with EU-IFRS.

The condensed interim consolidated financial statements are presented in euros with amounts rounded to the nearest thousand and consist of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the explanatory notes.

3. ACCOUNTING POLICIES AND CONSOLIDATION METHODS

The accounting standards and consolidation methods used to prepare the condensed interim consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2017.

a) Translation of foreign currency balances

The financial statements of subsidiaries and associates are prepared using the currency of the primary economy in which they operate (i.e. the "functional currency"). The rules for translating financial statements expressed in a currency other than the euro are as follows:

- assets and liabilities are translated using the exchange rates in effect at the end of the reporting period;
- income and expenses are translated at the average exchange rate for the reporting period;
- the translation reserve shown in the statement of comprehensive income includes both the exchange rate differences generated by the translation of balances at a different rate from that of the closing date

3. ACCOUNTING POLICIES AND CONSOLIDATION METHODS (Continued)

and those generated by the translation of opening equity balances at a different rate from that of the reporting date;

- the goodwill and fair-value adjustments related to the acquisition of foreign entities are treated as assets and liabilities of the foreign entity and translated at the end-of-period exchange rate.

Equity investments having a functional currency other than the euro that are present in the consolidation perimeter at March 31, 2018 are Fedrigoni UK Ltd (GBP), Fedrigoni Asia Ltd (HKD), Fedrigoni Brasil Papeis Ltda (BRL), GPA Holding Company Inc. (USD), Fedrigoni Trading (Shanghai) Company Limited (CNY) and Concept Couleurs Sàrl (CHF).

The exchange rates used to translate the financial statements of companies with a functional currency other than the euro are reported in the following table:

	Average for three months ended March 31		At March 31,	At December 31,
Currency	**2018**	**2017**	**2018**	**2017**
GBP	0.8834	0.8601	0.8749	0.8872
BRL	3.9887	3.3468	4.0938	3.9729
CNY	7.8154	7.3353	7.7468	7.8044
CHF	1.1653	1.0694	1.1779	1.1702
USD	1.2292	1.0648	1.2321	1.1993
HKD	9.6216	8.2641	9.6696	9.3720

b) Translation of foreign currency items

Transactions in a currency other than the functional currency are recognized at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in currencies other than Euros are subsequently adjusted at the exchange rate in effect at the end of the reporting period. Non-monetary assets and liabilities denominated in a currency other than the euro are recognized at historical cost using the exchange rate in effect when the transaction was initially recognized. Any currency differences arising from such translation are recognized in profit or loss.

Accounting standards adopted

- **ACCOUNTING STANDARDS, AMENDMENTS, AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION AND APPLIED AS OF JANUARY 1, 2018**

The Group's adoption of accounting standards and interpretations that are mandatory from January 1, 2018 did not have any significant effects on the condensed interim consolidated financial statements. Below are the main standards and amendments that came into effect on January 1, 2018.

- IFRS 15—"Revenue from Contracts with Customers" (published on May 28, 2014 and integrated with additional clarifications on April 12, 2016), superseded IAS 18—"Revenue" and IAS 11—"Construction Contracts", as well as IFRIC 13—"Customer Loyalty Programmes", IFRIC 15—"Agreements for the Construction of Real Estate", IFRIC 18—"Transfers of Assets from Customers" and SIC 31—"Revenues-Barter Transactions Involving Advertising Services". The standard establishes a model framework for recognizing revenues, which applies to all contracts stipulated with customers except those falling within the scope of application of other IAS/IFRS, such as leases, insurance contracts and financial instruments. The basic steps for revenue recognition, according to the new model, are as follows:
  - Identify the contract with a customer;
  - Identify the performance obligations in the contract;
  - Determine the transaction price;
  - Allocate the transaction price to the performance obligations in the contract;
  - Recognize revenue when (or as) the entity satisfies a performance obligation.

3. ACCOUNTING POLICIES AND CONSOLIDATION METHODS (Continued)

"Clarifications to IFRS 15—Revenue from Contracts with Customers" was endorsed by the European Union on November 6, 2017. The Group adopted the new standard on January 1, 2018 using the retrospective method. The application of the new standard did not result in any changes in the recognition and measurement of revenue.

- Final version of IFRS 9 "Financial Instruments" (published on July 24, 2014). The document brings together results of the IASB's project to replace IAS 39:
  - It establishes new criteria for classifying and accounting for financial assets and financial liabilities;
  - The new standard sets out a new "expected loss" impairment model for credit losses (which replaces the incurred loss model in IAS 39) using supportable information, available without unreasonable costs or efforts, including information about past events, current conditions and forecasts;
  - It includes a new hedge accounting model (additional types of transactions eligible for hedge accounting, change in accounting methods for forward contracts and options included in hedge accounting, changes to effectiveness testing).

  The new standard was adopted on January 1, 2018 using a modified retrospective approach. The effects of its adoption are as follows:
  - Concerning the classification of financial assets and financial liabilities, the adoption of the standard does not have a significant effect on the Group's condensed interim consolidated financial statements and related disclosures.
  - Concerning the impairment model, the Group calculated the writedown of trade receivables, the most significant financial assets, using IFRS 9's simplified model (paragraph 5.5.15) for receivables that do not contain a significant financing component. The provision for doubtful debts was determined on the basis of lifetime expected credit losses. The provision, accounted for at initial recognition of the receivable, was determined on the basis of reasonable and supportable information available (without undue cost or effort at the reporting date) about past events, current conditions, and forecasts of future economic conditions. The new method did not result in substantial differences compared to the method previously used by the Group, which entailed calculating a deduction based on a specific analysis of losses on existing receivables, increased by an amount determined on the basis of past experience.

- **IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS, AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT MANDATORY YET AND NOT ADOPTED IN ADVANCE BY THE GROUP AS AT MARCH 31, 2018**
  - *IFRS 16—Leases* (published on January 13, 2016), intended to supersede IAS 17—"Leases", as well as IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases—Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

    The new standard provides a new definition of leases and introduces a method based on the right of use of an asset to distinguish between a lease and a service, using as discriminating factors: identification of the asset, right of substitution of the asset, right to obtain substantially all the economic benefits from use of the asset and right to direct the identified leased asset's use.

    The standard provides for a single model to account for leases whereby a lessee recognizes a right-of-use asset (even under an operating lease) and a lease liability, unless the lease term is 12 months or less or the underlying asset has a low value. The standard does not include significant changes for lessors.

    The standard is effective for annual periods beginning on or after January 1, 2019 but earlier application is permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied.

3. ACCOUNTING POLICIES AND CONSOLIDATION METHODS (Continued)

Management expects that the application of IFRS 16 could have an important impact on the amounts and the related disclosures reported in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of such effects until the Group has completed a detailed analysis of the leases.

- **IFRS ACCOUNTING STANDARDS, AMENDMENTS, AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION**

As of the reporting date, the European Union authorities have not yet completed the endorsement process needed for the adoption of the following amendments and standards.

- On May 18, 2017, the IASB published IFRS 17 "Insurance Contracts", which shall supersede IFRS 4 "Insurance Contracts". The standard is effective for annual periods beginning on or after January 1, 2021 but earlier application is permitted if IFRS 9 "Financial Instruments" and IFRS 15—"Revenue from Contracts with Customers" have also been applied. Management does not expect its adoption will significantly affect the consolidated financial statements.
- On June 7, 2017, the IASB published IFRIC 23 "Uncertainty over Income Tax Treatments". The document deals with uncertainties regarding income tax treatment. The new interpretation is effective for annual periods beginning on or after January 1, 2019, but earlier adoption is permitted. Management does not expect its adoption will significantly affect the consolidated financial statements.
- Amendment to IAS 28, "Long-term Interests in Associates and Joint Ventures" (published on October 12, 2017). The amendment is effective for annual periods beginning on or after January 1, 2019, but earlier adoption is permitted. Management does not expect its adoption will significantly affect the consolidated financial statements.
- Amendment to IAS 19, "Plan Amendment, Curtailment or Settlement" (published on February 7, 2018). The document specifies how a company accounts for a defined benefit plan, when a change to a plan (a curtailment or a settlement) takes place. In that event, the changes require a company to update its assumptions and remeasure its net defined benefit liability or asset. The amendments specify that, after the change to the plan, a company must use updated assumptions to measure the current service cost and net interest for the remainder of the reporting period. Management does not expect its adoption will significantly affect the consolidated financial statements.

4. SEGMENT REPORTING

The criteria used to identify segments are consistent with the way in which the Group is managed. The division into segments for reporting purposes corresponds to the structure of the reports periodically examined by management.

The Fedrigoni Group's operations are split into two dedicated segments: Paper and Security, and Converting (self-adhesive products).

The Group's management evaluates the performance these segments, using the following as indicators:

- Adjusted EBITDA;
- revenues by geographical segment, on the basis of where the products are sold, not where the billing company's office is located;
- investments in property, plant and equipment.

4. SEGMENT REPORTING (Continued)

The following tables break down Adjusted EBITDA by segment, reconciled with the Group net profit.

	Three months ended March 31, 2018				
	Paper and Security	Converting	Intercompany eliminations	Other	Total
	(in thousands of euros)				
Revenues from sales					
to third parties	155,415	98,888	—	—	254,303
to other Group companies	7,757	606	(8,363)	—	—
Total sales revenues	163,172	99,494	(8,363)	—	254,303
Other operating income	1,865	120	(173)	—	1,812
Operating expenses	(145,010)	(89,589)	8,539	(1,097)	(227,157)
Adjusted EBITDA	**20,027**	**10,025**	**3**	**(1,097)**	**28,958**
Depreciation, amortization and impairment losses					(9,614)
Operating income					**19,344**
Income from equity-accounted investments in associates					44
Financial income					3,927
Finance costs					(5,814)
Profit before tax					**17,501**
Income taxes					(4,771)
Net profit					**12,730**

	Three months ended March 31, 2017				
	Paper and Security	Converting	Intercompany eliminations	Other	Total
	(in thousands of euros)				
Revenues from sales					
to third parties	191,266	87,681	—	—	278,947
to other Group companies	9,442	2,072	(11,514)	—	—
Total sales revenues	200,708	89,753	(11,514)	—	278,947
Other operating income	2,082	254	(143)	—	2,193
Operating expenses	(177,567)	(80,917)	11,659	(839)	(247,664)
Adjusted EBITDA	**25,223**	**9,090**	**2**	**(839)**	**33,476**
Depreciation, amortization and impairment losses					(9,939)
Operating income					**23,537**
Income from equity-accounted investments in associates					11
Financial income					5,357
Finance costs					(6,743)
Profit before tax					**22,162**
Income taxes					(7,849)
Net profit					**14,313**

(*) Adjusted EBITDA is defined by the Group as net profit before income taxes, financial income and finance costs, share of income from equity-accounted investments in associates, depreciation, amortization, impairment losses, and any non-recurring income and costs. Adjusted EBITDA is not identified as an accounting measurement in IFRS and should therefore not be considered as alternative to the disclosures provided in the financial statements for the purpose of assessing the Group's performance. The Company believes that Adjusted EBITDA is an important variable for evaluating the Group's performance, allowing it to be monitored in a more analytical fashion. Because this information is not a measurement governed by the accounting standards followed in the Group's financial statements, the criteria used to determine it may not be consistent with those used by other groups and it should therefore not be compared with similar figures presented by such groups.

4. SEGMENT REPORTING (Continued)

Shared unallocated costs ("Other") are a marginal amount referring to the Group's operating structure. Each Segment has a complete and independent structure, able to fulfill its own functions. Most eliminations ("intercompany eliminations" in the tables above) refer to inter-Segment margins eliminated during the aggregation phase. Transactions between the Segments are conducted at arm's length.

Revenues are broken down below by geographical area:

	Three months ended March 31,	
	2018	2017
	(in thousands of euros)	
Italy	77,868	85,090
Rest of Europe	106,110	109,107
Rest of world	70,325	84,750
Total	**254,303**	**278,947**

Non-current assets are broken down below by geographical area:

	As at March 31,	As at December 31,
	2018	2017
	(in thousands of euros)	
Italy	246,186	247,429
Rest of Europe	34,534	34,849
Rest of world	129,154	133,268
Total	**409,874**	**415,546**

Below is the breakdown by Segment of the investments in property, plant and equipment:

	Three months ended March 31,	
	2018	2017
	(in thousands of euros)	
Paper and Security Segment	6,862	6,246
Converting Segment	1,017	1,537
Total	**7,879**	**7,783**

5. Property, plant and equipment

The changes in this item are detailed below.

	Land and buildings	Plant and machinery	Equipment	Other fixed assets	Work in progress and advances	Total
			(in thousands of euros)			
Balance at January 1, 2017						
—Historical cost	231,743	657,810	19,305	20,031	9,042	937,931
—Accumulated depreciation	(93,073)	(503,660)	(12,736)	(15,870)	—	(625,339)
Net value	**138,670**	**154,150**	**6,569**	**4,162**	**9,042**	**312,592**
Changes:						
—Investments	820	3,075	114	329	3,445	7,783
—Disposals	—	—	(1)	(7)	—	(8)
—Depreciation	(1,502)	(6,548)	(310)	(258)	—	(8,618)
—Exchange differences	223	402	1	15	64	705
—Reclassifications	18	1,796	28	20	(1,862)	—
Total changes	**(441)**	**(1,275)**	**(168)**	**99**	**1,647**	**(138)**
Balance at March 31, 2017	**138,229**	**152,875**	**6,401**	**4,260**	**10,689**	**312,454**
Balance at January 1, 2018						
Of which:						
—Historical cost	228,400	675,092	19,602	19,953	19,411	962,458
—Accumulated depreciation	(95,025)	(521,898)	(13,814)	(16,132)	—	(646,869)
Net value	**133,375**	**153,194**	**5,788**	**3,821**	**19,411**	**315,589**
Changes:						
—Investments	150	4,304	37	93	3,295	7,879
—Disposals	—	(45)	—	—	—	(45)
—Depreciation	(1,500)	(6,413)	(328)	(245)	—	(8,486)
—Exchange differences	(420)	(1,173)	(2)	(31)	(142)	(1,768)
—Reclassifications	—	9,197	29	(27)	(9,199)	—
Total changes	**(1,770)**	**5,870**	**(264)**	**(210)**	**(6,046)**	**(2,420)**
Balance at March 31, 2018	**131,605**	**159,064**	**5,524**	**3,611**	**13,365**	**313,169**
Of which:						
—Historical cost	227,918	685,771	19,774	19,743	13,365	966,571
—Accumulated depreciation	(96,313)	(526,707)	(14,250)	(16,132)	—	(653,402)
Net value	**131,605**	**159,064**	**5,524**	**3,611**	**13,365**	**313,169**

The investments of Euro 7,879 thousand made in the first three months of 2018 refer primarily to: *i)* adaptation to security regulations at the Pioraco and Verona plants; *ii)* enhancement of the installation capacity in the Converting segment; *iv)* renovation of the Pioraco plant, which had been damaged in the autumn 2016 earthquake.

6. Intangible assets

The changes in this item are detailed below.

	Patent and intellectual property rights	Concessions, licenses and trademarks	Other intangible assets	Goodwill	Work in progress and advances	Total
			(in thousands of euros)			
Balance at January 1, 2017	**2,705**	**8,342**	**22,197**	**35,258**	**354**	**68,856**
Changes:						
—Investments	209	67	—	—	86	362
—Amortization	(280)	(219)	(812)	—	—	(1,311)
—Reclassifications	271	—	—	—	(271)	—
—Exchange differences	7	(47)	(136)	45	—	(131)
Total changes	**207**	**(199)**	**(948)**	**45**	**(185)**	**(1,080)**
Balance at March 31, 2017	**2,912**	**8,143**	**21,249**	**35,303**	**169**	**67,776**
Balance at January 1, 2018	**2,717**	**6,517**	**16,826**	**30,702**	**9**	**56,771**
Changes:						
—Investments	59	9	—	—	27	95
—Amortization	(318)	(161)	(639)	—	—	(1,118)
—Exchange differences	(11)	(175)	(434)	(865)	—	(1,485)
Total changes	**(270)**	**(327)**	**(1,073)**	**(865)**	**27**	**(2,508)**
Balance at March 31, 2018	**2,447**	**6,190**	**15,753**	**29,837**	**36**	**54,263**

The investments made in intangible assets in the three months ended March 31, 2018 amount to Euro 95 thousand, and consist mostly of external costs incurred to purchase software and costs incurred to customize the software.

Goodwill as at March 31, 2018 is set forth by Segment below:

	March 31, 2018	%
	(in thousands of euros)	
Converting	4,635	16%
Paper and Security	25,202	84%
Total	29,837	100%

As at March 31, 2018, no events were identified that could cause significant changes to the recoverable amounts determined as at December 31, 2017 of the Brazil Paper and Security, U.S.A. Paper and Security, and U.S.A. Converting cash generating units ("CGU"), so it was not deemed necessary to conduct a new impairment test for them.

7. Investment property

The changes in this item are detailed below.

	Land and buildings
	(in thousands of euros)
Balance at January 1, 2017	**524**
Changes:	
—Depreciation	(10)
Total changes	**(10)**
Balance at March 31, 2017	**514**
Of which:	
—Historical cost	1,168
—Accumulated depreciation	(654)
Net value	**514**
Balance at January 1, 2018	**486**
Changes:	
—Depreciation	(10)
Total changes	**(10)**
Balance at March 31, 2018	**476**
Of which:	
—Historical cost	1,168
—Accumulated depreciation	(692)
Net value	**476**

8. Tax credits

This item is set forth below:

	As at March 31, 2018			As at December 31, 2017		
	Non-current	Current	Total	Non-current	Current	Total
	(in thousands of euros)					
Tax credits	1,476	1,035	2,511	1,476	1,011	2,487
Total	**1,476**	**1,035**	**2,511**	**1,476**	**1,011**	**2,487**

The non-current tax credits of Euro 1,476 thousand refer to a tax credit emerging on the settlement of an amicable procedure (MAP—Mutual Agreement Procedure) between the Italian government and the French government, regarding a transfer pricing dispute with subsidiary Fedrigoni France S.a.r.l.

9. Deferred tax assets and liabilities

This item is detailed below:

	As at March 31, 2018	As at December 31, 2017
	(in thousands of euros)	
Deferred tax assets		
Deferred tax assets	26,273	26,806
Total deferred tax assets	**26,273**	**26,806**
Deferred tax liabilities		
Deferred tax liabilities	(21,439)	(21,564)
Total deferred tax liabilities	**(21,439)**	**(21,564)**
Total net deferred tax assets/(liabilities)	**4,834**	**5,242**

The composition of these balances is shown below:

	December 31, 2017	Effect on Income Statement	Effect of changes in foreign exchange rates	March 31, 2018
		(in thousands of euros)		
Elimination of capital gains on intercompany sales of trademarks and land	2,125	(62)	—	2,063
Inventory valuation	8,169	28	(28)	8,169
Valuation of trade receivables	2,104	—	(6)	2,098
Provisions for risks and charges	7,856	24	(35)	7,845
Difference between fiscal and statutory values of tangible and intangible assets	2,171	(64)	(14)	2,093
Tax losses	1,307	—	(25)	1,282
Other	3,074	(281)	(70)	2,723
Total deferred tax assets	**26,806**	**(355)**	**(178)**	**26,273**

	December 31, 2017	Effect on Income Statement	Effect of changes in foreign exchange rates	Effect on Statement of Comprehensive Income	March 31, 2018
			(in thousands of euros)		
Valuation of tangible and intangible assets	11,398	289	(249)	—	11,438
Effect of leaseback transaction	8,150	(95)	—	—	8,055
Recognition of finance leases	2,406	(72)	—	—	2,334
Actualization of employee benefits	(493)	1	—	9	(483)
Actualization of social security liabilities	66	(7)	—	—	59
Exchange differences and other	34	(2)	—	—	32
Derivative fair values	3	1	—	—	4
Total deferred tax liabilities	**21,564**	**115**	**(249)**	**9**	**21,439**

10. Trade receivables

	As at March 31, 2018	As at December 31, 2017
	(in thousands of euros)	
Gross trade receivables	257,889	259,559
Provision for doubtful debts	(12,557)	(12,931)
Net trade receivables	**245,332**	**246,628**

The table below presents the changes in the provision for doubtful debts:

	Three months ended March 31, 2018	Year ended December 31, 2017
	(in thousands of euros)	
Balance at beginning of the period	**12,931**	**14,004**
Changes:		
—Charge	428	2,273
—Use	(735)	(2,967)
—Exchange differences	(67)	(379)
Total changes	**(374)**	**(1,073)**
Balance at end of the period	**12,557**	**12,931**

11. Other current assets

The other current assets are stated in the condensed interim consolidated financial statements net of the related provisions:

	As at March 31, 2018	As at December 31, 2017
	(in thousands of euros)	
Other assets—gross	36,388	29,232
Provision for other doubtful debts	(1,597)	(1,631)
Other assets—net	**34,791**	**27,601**

The item is detailed below:

	As at March 31, 2018	As at December 31, 2017
	(in thousands of euros)	
Other assets—net		
—Sundry receivables	6,130	2,504
—Sundry tax credits	886	827
—Prepaid expenses and accrued income	3,879	2,201
—VAT credit	16,395	15,770
—Grants receivable	438	446
—Security deposits	3,208	3,276
—Due from social security entities	1,510	321
—Due from employees	2,345	2,256
Total other assets	**34,791**	**27,601**
Of which: non-current	11,874	12,120

The largest component of sundry receivables consists of advances to suppliers (Euro 3,735 thousand).

11. Other current assets (Continued)

The VAT credit relates entirely to Fedrigoni Brasil Papeis Ltda. In this respect, in 2017 Fedrigoni Brasil Papeis Ltda engaged a consulting firm to provide assistance with the submission of a VAT refund claim to the Secretariat of Finance of the State of Sao Paolo (SEFAZ). The agreement with the tax authorities will provide for a BRL 3,200 thousand discount on the VAT credits. Fedrigoni Brasil Papeis Ltda wrote down its VAT credit by such amount, equivalent to Euro 782 thousand, in the previous reporting period.

The increase in the amount due from social security entities is attributable to Fedrigoni S.p.A.'s advance payment of the INAIL premium in an amount of Euro 1,397 thousand.

The amount due from employees includes the effects of the deferral of social security contributions and income taxes pursuant to the relief granted to those affected by the 1997 and 2016 earthquakes, for whom the Company takes on the role of withholding agent.

The table below presents the changes in the provision for other doubtful debts:

	Three months ended March 31, 2018	Year ended December 31, 2017
	(in thousands of euros)	
Balance at beginning of the period	**1,631**	**812**
Changes:		
—Charge	—	920
—Use	(9)	(12)
—Exchange differences	(25)	(89)
Total changes	**(34)**	**819**
Balance at end of the period	**1,597**	**1,631**

The provision for other doubtful debts refers primarily (Euro 782 thousand) to the amount charged for the aforementioned recovery of the Brazilian subsidiary's VAT credits.

12. Inventories

This item is detailed below:

	As at March 31, 2018	As at December 31, 2017
	(in thousands of euros)	
Raw materials	78,848	73,447
Work in progress and semi-finished goods	33,447	30,622
Finished products	98,333	94,141
Total	**210,628**	**198,210**

12. Inventories (Continued)

Inventories are shown net of the provision for inventory obsolescence/slow movement as detailed below:

	Provision for obsolete/slow-moving raw materials	Provision for obsolete/slow-moving semi-finished and finished products	Total
	(in thousands of euros)		
As at December 31, 2016	**5,719**	**9,568**	**15,287**
Charge	6,229	2,807	9,036
Use	(609)	(1,140)	(1,749)
Exchange differences	(183)	(177)	(360)
As at December 31, 2017	**11,156**	**11,058**	**22,214**
Charge	377	944	1,321
Use	(212)	(345)	(557)
Exchange differences	(36)	(27)	(63)
As at March 31, 2018	**11,285**	**11,630**	**22,915**

No inventories were put up as collateral to guarantee loans received by the Group.

13. Financial assets

The current financial assets refer to the amount due from the former holding company San Colombano S.p.A. deriving from an intercompany cash pool account (Euro 3,019 thousand at March 31, 2018 and Euro 24,104 thousand at December 31, 2017). The reduction in the period is due to the reimbursement by San Colombano S.p.A. in view of the imminent sale of its shares.

14. Cash and cash equivalents

This item is detailed below:

	As at March 31, 2018	As at December 31, 2017
	(in thousands of euros)	
Bank deposits	35,692	44,517
Checks outstanding	1	2
Cash and cash equivalents on hand	145	180
Total	**35,838**	**44,699**

There are no restrictions on the use of the cash and cash equivalents balance.

15. Non-current assets held for sale and liabilities associated with assets held for sale

"Non-current assets held for sale" amounts to Euro 8,815 thousand (8,815 at December 31, 2017) and refers to two building complexes of the Paper and Security Segment. The associated liabilities of Euro 726 thousand (726 thousand at December 31, 2017) refer to the related deferred tax liabilities. The transaction, which was intended to be finalized in the first half of 2018 with San Colombano S.p.A. took place on May 29, 2018.

16. Equity

The equity at March 31, 2018 is set forth below.

	March 31, 2018
	(in thousands of euros)
Share capital	40,000
Share premium reserve	51,829
Legal reserve	8,000
Reserve for fair value adjustments to employee benefits	(2,773)
Other reserves	279,181
Retained earnings	77,956
Equity	**454,193**

The share capital is Euro 40,000,220 as at March 31, 2018, consisting of 80,000,440 ordinary shares with a par value of Euro 0.50 per share.

17. Due to banks and other lenders

This item is detailed below:

	As at March 31, 2018							
	Interest rate	Current portion	Portion due after 12 months					Total
			2018	2019	2020	2021	Afterward	
			(in thousands of euros)					
Current financial debt	Variable	28,529	—	—	—	—	—	**28,529**
Finance leases	Variable	227	237	250	263	277	2,670	**3,924**
Other financing	Variable	34,836	37,468	9,774	2,500	—	—	**84,578**
Total		**63,592**	**37,705**	**10,024**	**2,763**	**277**	**2,670**	**117,031**

	As at December 31, 2017							
	Interest rate	Current portion	Portion due after 12 months					Total
			2019	2020	2021	2022	Afterward	
			(in thousands of euros)					
Current financial debt	Variable	58,030	—	—	—	—	—	**58,030**
Finance leases	Variable	224	234	247	260	273	2,742	**3,980**
Other financing	Variable	44,568	42,512	10,774	2,501	—	—	**100,355**
Total		**102,822**	**42,746**	**11,021**	**2,761**	**273**	**2,742**	**162,365**

Current financial debt

As at March 31, 2018, the current financial debt was Euro 28,529 thousand (Euro 58,030 thousand as at December 31, 2017). The amount refers to bank accounts and financial instruments used by Group companies to manage short-term cash flow requirements.

Finance leases

The amount of Euro 3,924 thousand as at March 31, 2018 (Euro 3,980 thousand as at December 31, 2017) represents the remaining balance at the reporting date on finance leases stipulated by the Group.

Other financing

The amount of Euro 84,578 thousand as at March 31, 2018 (Euro 100,355 thousand as at December 31, 2017) represents the remaining balance at the reporting date on loans granted by banks to Group companies.

18. Employee benefits

The changes in this item are presented below:

	As at March 31, 2018	As at December 31, 2017
	(in thousands of euros)	
Opening balance	17,962	19,235
Finance costs	62	250
Actuarial gains/(losses)	(36)	(143)
Use	(275)	(1,380)
Closing balance	**17,713**	**17,962**

19. Provisions for risks and charges

This item is detailed below:

	As at March 31, 2018	As at December 31, 2017
	(in thousands of euros)	
Provision for agency termination	2,047	2,083
Provision for environmental risks	2,044	1,956
Provision for sundry risks	26,287	26,776
Total	**30,378**	**30,815**

The changes in this item are presented below:

	As at March 31, 2017	As at December 31, 2017
	(in thousands of euros)	
Opening balance	30,815	21,521
Increases	704	13,821
Use	(961)	(3,618)
Exchange differences and other changes	(180)	(909)
Closing balance	**30,378**	**30,815**

The provisions for risks and charges are detailed hereunder.

	Dec. 31, 2017	Charge	Use	Exchange differences	March 31, 2018
Provision for agency termination	2,083	75	(111)	—	2,047
Provision for environmental risks	1,956	125	(37)	—	2,044
Provisions for litigation risks	3,301	75	(81)	—	3,295
Provisions for warranty claims	17,288	209	(274)	—	17,223
Provision for exit incentives	190	—	(41)	—	149
Other provisions	5,997	220	(417)	(180)	5,620
Total sundry risk provisions	**26,776**	**504**	**(813)**	**(180)**	**26,287**
Total provisions for risks and charges	**30,815**	**704**	**(961)**	**(180)**	**30,378**

The provision for agency termination represents the estimated liability due for benefits in the event of agency termination.

The provision for environmental risks refers to outlays that the Group considers necessary to clean up some of the land it owns.

19. Provisions for risks and charges (Continued)

The provisions for litigation risks (Euro 3,295 thousand) refer to liabilities deemed likely to ensue from pending lawsuits, disputes, business arrangements entered into by the Group and other risks, and represent a prudent appreciation of the cost estimated at the end of the period.

The provision for warranty claims (Euro 17,223 thousand) consists of costs that could be incurred in the event of claims regarding supplies of banknotes, security products and other paper products. Its amount refers specifically to sales of security products, whose segment features greater product complexity, so the warranty terms are longer than for normal paper products.

The other provision includes Euro 5,521 thousand relating to Fedrigoni Brasil Papeis Ltda, and is set up primarily to cover the liabilities deemed probable that could emerge from lawsuits concerning the main Brazilian taxes (IPI, PIS, Cofins and IRPJ) for Euro 2,281 thousand and pending litigation with employees for Euro 3,080 thousand.

20. Trade payables and Other liabilities

This item is detailed below:

	As at March 31, 2018	As at December 31, 2017
	(in thousands of euros)	
Trade payables	**224,819**	**221,773**
Other current liabilities:		
—Due to employees	18,433	16,056
—Accrued expenses and deferred income	1,121	964
—Social security	8,613	9,309
—Withholding taxes	3,514	4,278
—Sundry payables	4,938	6,699
—Due to supplementary pension fund	919	1,450
—Advances	17,745	4,153
—VAT due	2,957	1,647
—Due to Directors and Statutory Auditors	601	1,012
—Sundry tax liabilities	1,485	1,392
—Tax liabilities from deferrals under earthquake relief	2,124	2,207
Other liabilities	**62,450**	**49,167**
Total	**287,269**	**270,940**
Of which: non-current	*1,767*	*2,000*

The increase in "advances" refers to advances paid by customers on important orders obtained in South America.

Concerning "tax liabilities from deferrals under earthquake relief", the Italian companies of the Group located in areas struck by the 1997 earthquake benefited from a 10-year deferral for part of the tax and social security payments due for some periods. The same companies also benefited from the temporary deferral of tax and social security payments after the autumn 2016 earthquake.

21. Sales revenues

This item is detailed below:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands of euros)	
Revenues from sales of products	254,805	280,232
Awards for customers	(1,622)	(1,650)
Other sales revenues	1,120	365
Total	**254,303**	**278,947**

Sales revenues fell by Euro 24,644 thousand (-8.8%) from the comparative period largely as a result of the cancellation of orders by an important customer in the Security segment near the end of 2017. The decline was offset in part by higher sales in the Converting segment.

22. Other operating income

This item is detailed below:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands of euros)	
Other revenues	1,189	1,723
Sundry non-financial income	121	266
Contingent gains and unrealized costs	424	172
Grants for operating expenses	4	7
Other	74	25
Total	**1,812**	**2,193**

"Other revenues" derive primarily from the sale of electricity by the manufacturing companies for Euro 1,133 thousand (Euro 1,035 thousand for the three months ended March 31, 2017).

23. Cost of materials

This item is detailed below:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands of euros)	
Raw material purchases	150,001	146,340
Purchases of ancillary materials and consumables	267	1,204
Change in inventories	(5,538)	(864)
Total	**144,730**	**146,680**

The decrease in cost of material is substantially attributable to a reduction in volumes sold. The effect has been partially compensated by the increase in price of fibrous raw materials.

24. Cost of services

This item is detailed below:

	Three months ended March 31, 2018	2017
	(in thousands of euros)	
Freight	18,086	17,804
Natural gas	9,973	9,852
Commissions paid	4,394	4,985
Maintenance	2,211	2,429
Use of third-party assets	2,468	5,600
Electricity	1,468	1,385
Consulting services (administrative, legal, tax, technical)	1,582	1,233
Advertising and publicity	2,126	2,229
Outsourced production	1,038	1,068
Insurance	1,334	1,344
Travel expenses	1,082	1,144
Waste disposal	638	638
Outsourced labor	1,396	1,385
Telephone expenses	207	261
Water	60	60
Directors and Statutory Auditors	372	974
Other services	2,750	2,976
Total	**51,185**	**55,367**

The use of third-party assets refers mainly to patent rights on security threads; the decrease from the corresponding period of the prior year is attributable to the aforementioned sales decline in the Security segment.

25. Cost of personnel

This item is detailed below:

	Three months ended March 31, 2018	2017
	(in thousands of euros)	
Wages and salaries	26,780	27,454
Social security contributions	8,197	7,991
Period accrual for defined contribution and defined benefit plans	1,512	1,498
Other costs	856	1,144
Total	**37,345**	**38,087**

The Group's employee headcount numbers at period end are shown below:

	March 31, 2018	2017
Management	66	66
White-collar employees	964	1,006
Blue-collar employees	1,678	1,694
Total	**2,708**	**2,766**

26. Other costs

This item is detailed below:

	Three months ended March 31, 2018	2017
	(in thousands of euros)	
Writedowns of receivables and other assets	317	448
Contingent losses and unrealized income	34	22
Indirect taxes	806	742
Membership dues	215	238
Risk allowances	411	3,742
Other costs	467	552
Total	**2,250**	**5,744**

The decrease in the risk allowances is related to the sales decline for security products.

27. Depreciation, amortization and impairment losses

This item is detailed below:

	Three months ended March 31, 2018	2017
	(in thousands of euros)	
Depreciation of property, plant and equipment	8,486	8,618
Amortization of intangible assets	1,118	1,311
Depreciation of investment property	10	10
Total	**9,614**	**9,939**

28. Net financial income/(costs)

This item is detailed below:

	Three months ended March 31, 2018	2017
	(in thousands of euros)	
Interest income	147	265
Foreign exchange gains	3,484	4,802
Fair value measurement of derivatives	280	282
Other financial income	16	8
Total financial income	**3,927**	**5,357**
Bank interest expense	(243)	(360)
Interest expense on leases	(57)	(61)
Foreign exchange losses	(4,875)	(5,679)
Fair value measurement of derivatives	(230)	(206)
Interest costs on employee benefits	(62)	(94)
Other finance costs	(347)	(343)
Total finance costs	**(5,814)**	**(6,743)**
Total	**(1,887)**	**(1,386)**

29. Income taxes

This item is detailed below:

	Three months ended March 31,	
	2018	2017
	(in thousands of euros)	
Current taxes	4,301	9,355
Deferred taxes	470	(1,506)
Total	**4,771**	**7,849**

The main reason for the reduction of income taxes is due to a reduction in taxable income and the benefit deriving from the Patent Box.

30. Earnings per share

Earnings per share was calculated by dividing: i) the profit or loss attributable to ordinary equity holders by ii) the number of ordinary shares, as they result pursuant to the shareholders' resolution.

There are no anti-dilutive shares, so the diluted earnings per share is the same as the basic earnings per share.

31. Contingent liabilities

Various legal and tax proceedings originating over time in the normal course of the Group's business operations are pending. According to management, none of these proceedings can result in significant liabilities for which provisions do not already exist in the condensed interim consolidated financial statements.

32. Commitments

(a) Commitments to purchase property, plant and equipment

The contractual commitments undertaken with third parties as at March 31, 2018 regarding investments in property, plant and machinery not yet recognized in the condensed interim consolidated financial statements amount to Euro 15,210 thousand.

(b) Sureties and guarantees

With respect to a loan granted by Unicredit Banca d'Impresa S.p.A. to associate Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l., the Parent Company has undertaken—by issuing a letter of comfort to the bank—to provide its associate with the funding necessary to repay the loan. The Group's commitment was Euro 573 thousand at March 31, 2018.

33. Related-party transactions

During the first three months of 2018, the Fedrigoni Group conducted transactions with related parties on an arm's length basis in the area of its core business operations. The balances and transactions with related parties are set forth below.

33. Related-party transactions (Continued)

Statement of Financial Position balances

	As at March 31, 2018				
	Assets			Liabilities	
	Financial receivables	Trade receivables	Tax credits	Tax liabilities	Trade payables
	(in thousands of euros)				
San Colombano S.p.A	3,020	16	—	5,840	—
Nerea S.p.A	—	—	—	—	—
Studio Canestrari e Crescentini	—	—	—	—	94
Studio Biscozzi Nobili	—	—	—	—	58
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	—	—	—	—	—
Total	**3,020**	**16**	**—**	**5,840**	**152**
As a % of F/S item	100.0%	0.0%	0.0%	66.7%	0.0%

	As at December 31, 2017				
	Assets			Liabilities	
	Financial receivables	Trade receivables	Tax credits	Tax liabilities	Trade payables
	(in thousands of euros)				
San Colombano S.p.A	24,104	17	—	3,770	110
Nerea S.p.A	—	—	—	—	—
Studio Canestrari e Crescentini	—	—	—	—	63
Studio Biscozzi Nobili	—	—	—	—	55
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	—	—	—	—	—
Total	**24,104**	**17**	**—**	**3,770**	**228**
As a % of F/S item	100.0%	0.0%	0.0%	77.8%	0.1%

33. Related-party transactions (Continued)

Income Statement balances

	Three months ended March 31, 2018				
	Income			Expenses	
	Sales revenues	Other revenues	Interest income	Cost of services	Interest expense
	(in thousands of euros)				
San Colombano S.p.A	—	—	16	—	—
Nerea S.p.A	—	—	—	90	—
Studio Canestrari e Crescentini	—	—	—	50	—
Studio Biscozzi Nobili	—	—	—	14	—
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	—	—	—	—	—
Total	**—**	**—**	**16**	**154**	**—**
As a % of F/S item	0.0%	0.0%	0.4%	0.3%	0.0%

	Three months ended March 31, 2017				
	Income			Expenses	
	Sales revenues	Other revenues	Interest income	Cost of services	Interest expense
	(in thousands of euros)				
San Colombano S.p.A.	—	—	7	7	—
Nerea S.p.A	—	—	—	90	—
Studio Canestrari e Crescentini	—	—	—	11	—
Studio Biscozzi Nobili	—	—	—	11	—
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	—	—	—	—	—
Total	**—**	**—**	**7**	**119**	**—**
As a % of F/S item	0.0%	0.2%	0.1%	0.2%	0.0%

Description of the Group's related parties

San Colombano S.p.A.

The tax liabilities presented in the foregoing tables refer to transactions within the scope of the Italian Tax Consolidation regime.

The financial receivables refer to a cash pool account with the Group companies.

Nerea S.p.A.

Nerea S.p.A. is a real estate agency considered a related party because it is controlled by the same entities that indirectly control San Colombano S.p.A.

The Group has a lease in effect with Nerea S.p.A. for the building in Verona in which the Parent Company's headquarters are located. The lease was renewed for six years (renewable for another six years) in January 2017, with an annual lease payment of Euro 320 thousand. Moreover, an annual lease is in effect with Nerea S.p.A. for the parking lot next to the building, with an annual lease payment of Euro 38 thousand.

33. Related-party transactions (Continued)

Studio Canestrari e Crescentini

Tax consulting firm "Canestrari & Crescentini" is 50%-owned by Silvana Canestrari, and is a related party because Ms. Canestrari is a non-executive, independent director of San Colombano S.p.A.

The amounts included in the cost of services refer principally to her remuneration as a member of the Parent Company's Board of Directors.

In the first three months of 2018, Studio Canestrari & Crescentini provided consulting services to the Fedrigoni Group for a total amount of Euro 37 thousand.

Studio Biscozzi Nobili

Pursuant to the appointment of Luigi Emilio Garavaglia as a non-executive, independent director of the Parent Company at the shareholders' meeting of May 11, 2011, the tax consulting firm "Biscozzi Nobili" became a related party of the Parent Company.

The amounts stated include Mr. Garavaglia's remuneration as a director.

Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.

Corsorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l. is a 25%-owned company and therefore is an associate.

The consortium operates in the power generation industry. No transactions were conducted with this associate in the first three months of 2018.

Key management personnel compensation

The following roles are considered key management positions of the Group: *I)* General Managers of the Company and of subsidiaries Arconvert S.p.A and Arconvert SA; *ii)* C.E.O. of subsidiary Fedrigoni Brasil Papeis L.t.d.a.; *iii*) C.E.O. of subsidiary GPA Holding Company Inc.; i*v)* C.F.O.; *v)* Company's Marketing Director.

The gross compensation paid to key management personnel in the three months ended March 31, 2018 totaled Euro 564 thousand.

34. Seasonality

In the first three months of 2018, there are no significant seasonal aspects that could influence the Group's average annual performance.

The Group usually concentrates most of its capital expenditures in the summer, when production is shut down.

35. Subsequent events

On April 16, 2018 an agreement was signed between San Colombano S.p.A., which owned the controlling interest in Fedrigoni S.p.A., and Bain Capital Private Equity for the acquisition of the Fedrigoni Group.

ANNEX 1—List of subsidiaries and associates

Name	Headquarters	Ownership As at March 31, 2018
Directly controlled subsidiaries		
Arconvert S.p.A.	Arco (Trento)	100.00%
Arconvert SA	Sarrià del Ter Gerona—Spain	100.00%
Fedrigoni Deutschland Gmbh	Oberhaching—Munich—Germany	100.00%
Fedrigoni Espana SL	Madrid—Spain	100.00%
Fedrigoni France Sàrl	Paris—France	100.00%
Fedrigoni UK Ltd	Northampton—United Kingdom	100.00%
Cartamano Deutschland Gmbh	Munich—Germany	100.00%
Miliani Immobiliare S.r.l.	Fabriano (Ancona)	100.00%
Fedrigoni Brasil Papeis Ltda	San Paolo—Brazil	100.00%
Fedrigoni Austria Gmbh	Vienna—Austria	100.00%
Fedrigoni Benelux BV	Brussels—Belgium	100.00%
Fedrigoni Asia Ltd	Hong Kong—China	100.00%
Concept Couleurs Sàrl	Geneva—Switzerland	100.00%
GPA Holding Company Inc.	McCook—Illinois, U.S.A.	100.00%
Indirectly controlled subsidiaries		
Fedrigoni Trading (Shanghai) Company Limited	Shanghai—China	100.00%
Associates		
Consorzio Canale Industriale G. Camuzzoni S.c.ar.l.	Verona	25.00%

FEDRIGONI GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Fedrigoni S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Fedrigoni S.p.A. and its subsidiaries (the "Fedrigoni Group"), which comprise the statement of financial position as at December 31, 2017, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Fedrigoni Group as at December 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Fedrigoni S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

This auditor's report is not issued for Italian statutory purposes, due to the fact that Fedrigoni S.p.A. has opted for the exemption foreseen by Art. 27, n° 3, of Italian Legislative Decree 127/1991 and has prepared the consolidated financial statements on a voluntary basis.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Fedrigoni Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of Fedrigoni S.p.A. or the termination of the business or have no realistic alternatives to such choices.

Deloitte.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fedrigoni Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of 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 Fedrigoni Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fedrigoni Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fedrigoni Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at 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.

DELOITTE & TOUCHE S.p.A.

Signed by
Pier Valter Azzoni
Partner

Verona, Italy
April 6, 2018

This report has been translated into the English language solely for the convenience of international readers.

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2017	December 31, 2016
		(in thousands of Euros)	
Non-current assets			
Property, plant and equipment	*6*	315,589	312,592
Intangible assets	*7*	56,771	68,856
Investment property	*8*	486	524
Equity-accounted investments in associates	*9*	2,299	2,266
Tax credits	*10*	1,476	3,650
Deferred tax assets	*11*	26,806	22,935
Financial assets	*15*	—	81
Other non-current assets	*13*	12,120	4,986
Total non-current assets		**415,547**	**415,890**
Current assets			
Inventories	*14*	198,210	197,725
Trade receivables	*12*	246,628	248,732
Tax credits	*10*	1,011	845
Financial assets	*15*	24,104	4,432
Other current assets	*13*	15,480	19,245
Cash and cash equivalents	*16*	44,699	34,066
Derivatives	*17*	74	1,597
Total current assets		**530,206**	**506,642**
Non-current assets held for sale	*18*	8,815	—
Total assets		**954,568**	**922,532**
Share capital		40,000	40,000
Reserves and retained earnings		404,801	381,031
Equity attributable to owners of the parent		**444,801**	**421,031**
Total equity	*19*	**444,801**	**421,031**
Non-current liabilities			
Due to banks and other lenders	*20*	59,543	83,864
Employee benefits	*21*	17,962	19,235
Provisions for risks and charges	*22*	30,815	21,521
Deferred tax liabilities	*11*	21,564	24,347
Other non-current liabilities	*23*	2,000	2,743
Total non-current liabilities		**131,884**	**151,710**
Current liabilities			
Due to banks and other lenders	*20*	102,822	84,800
Trade payables	*23*	221,773	211,259
Current tax liabilities	*24*	4,848	12,041
Other current liabilities	*23*	47,167	41,262
Derivatives	*17*	547	429
Total current liabilities		**377,157**	**349,791**
Liabilities associated with assets held for sale	*18*	726	—
Total liabilities		**509,767**	**501,501**
Total equity and liabilities		**954,568**	**922,532**

FEDRIGONI GROUP

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2017	2016
		(in thousands of Euros)	
Sales revenues	*25*	1,081,765	1,054,634
Other operating income	*26*	26,671	9,392
Cost of materials	*27*	(586,975)	(549,355)
Cost of services	*28*	(214,253)	(216,331)
Cost of personnel	*29*	(152,789)	(148,082)
Other costs	*30*	(19,727)	(17,431)
Depreciation, amortization and impairment losses	*31*	(38,897)	(43,288)
Change in inventories of work in progress, semi-finished goods and finished products		5,810	6,319
Cost of capitalized in-house work		785	317
Operating income		**102,390**	**96,175**
Financial income		13,031	17,169
Finance costs		(23,678)	(19,868)
Net financial income/(costs)	*32*	(10,647)	(2,699)
Share of profits of associates		33	130
Profit before tax		**91,776**	**93,606**
Income taxes	*33*	(19,434)	(30,076)
Net profit		**72,342**	**63,530**
Net profit attributable to:			
—Owners of the Parent		72,342	63,530
Earnings per share (in Euros):			
—Basic and diluted	*34*	0.90	0.79

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2017	**2016**
	(in thousands of Euros)	
Net profit for the year	**72,342**	**63,530**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	143	(1,244)
Income tax relating to other comprehensive income	(34)	342
	109	**(902)**
Items that may reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations and other movements	**(18,681)**	**20,675**
Other comprehensive (loss)/ income for the year, net of income tax	**(18,572)**	**19,773**
Total comprehensive income for the year	**53,770**	**83,303**
Attributable to owners of the Parent	*53,770*	*83,303*

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31, 2017	2016
	(in thousands of Euros)	
Profit before tax	**91,776**	**93,606**
Adjustments for:		
Depreciation of property, plant and equipment	34,024	34,357
Amortization of intangible assets	4,835	4,814
Depreciation of investment property	38	38
Impairment losses on tangible and intangible assets	—	4,079
Charges to risk provisions	13,821	9,520
Charges to provision for doubtful debts	1,792	3,194
Income from equity-accounted investments in associates	(33)	(130)
Net financial income /(costs)	10,647	2,699
Cash flow from operating activities before movements in working capital and income taxes paid	**156,900**	**152,177**
Change in trade receivables	(3,060)	4,871
Change in trade payables	14,377	(14,137)
Change in inventories	(4,658)	(7,643)
Use of provisions for risks	(3,799)	(1,030)
Use of provisions for personnel	(1,523)	5
Change in other assets /(liabilities)	(19,478)	6,164
Cash generated from operations before income taxes paid	**138,759**	**140,407**
Income taxes paid	(32,350)	(23,656)
Net cash generated by operating activities	**106,409**	**116,751**
Cash flow from investing activities		
Investments in intangible assets	(1,087)	(1,901)
Investments in property, plant and equipment	(53,430)	(42,497)
Disposals of property, plant and equipment and intangible assets	286	1,062
Financial income received	1,039	2,155
(Purchases)/disposals of subsidiaries or business divisions net of cash holdings	—	(214)
Net cash generated by/(used in) investing activities	**(53,192)**	**(41,395)**
Dividends paid	(30,000)	(22,000)
Finance costs paid	(4,303)	(4,432)
New medium/long-term bank loans raised	—	30,000
New short-term bank loans raised	93,111	29,679
Repayment of short-term bank loans	(26,363)	(38,144)
Repayment of medium/long-term bank loans	(70,772)	(65,718)
Repayment of financing from leasing companies	(2,016)	(2,551)
Net cash generated by/(used in) financing activities	**(40,343)**	**(73,166)**
Net increase/(decrease) in cash and cash equivalents for the year	**12,874**	**2,190**
Cash and cash equivalents at the beginning of the year	34,066	30,707
Effects of exchange rate changes on the balance of cash held in foreign currencies	(2,241)	1,169
Cash and cash equivalents at the end of the year	**44,699**	**34,066**

FEDRIGONI GROUP

Consolidated Statement of Changes in Equity

	Share capital	Share premium reserve	Legal reserve	Reserve for fair value adjustments to employee benefits	Other reserves	Profit for the year	TOTAL	Attributable to owners of the Parent
				(in thousands of Euros)				
January 1, 2016	**40,000**	**51,829**	**8,000**	**(2,007)**	**261,906**	**—**	**359,728**	**359,728**
Net profit for the year	—	—	—	—	—	**63,530**	**63,530**	*63,530*
Actuarial gains on defined benefit plans	—	—	—	(902)	—	—	**(902)**	*(902)*
Exchange differences on translating foreign operations and other movements	—	—	—	—	20,675	—	**20,675**	*20,675*
Comprehensive income for the year				**(902)**	**20,675**	**63,530**	**83,303**	**83,303**
Dividends distributed	—	—	—	—	(22,000)	—	**(22,000)**	*(22,000)*
Transactions with shareholders	—	—	—	—	**(22,000)**	—	**(22,000)**	**(22,000)**
Allocation of profit	—	—	—	—	63,530	(63,530)	**—**	—
December 31, 2016	**40,000**	**51,829**	**8,000**	**(2,909)**	**324,111**	**—**	**421,031**	**421,031**
January 1, 2017	**40,000**	**51,829**	**8,000**	**(2,909)**	**324,111**	**—**	**421,031**	**421,031**
Net profit for the year	—	—	—	—	—	**72,342**	**72,342**	*72,342*
Actuarial gains on defined benefit plans	—	—	—	109	—	—	**109**	*109*
Exchange differences on translating foreign operations and other movements	—	—	—	—	(18,681)	—	**(18,681)**	*(18,681)*
Comprehensive income for the year	—	—	—	**109**	**(18,681)**	**72,342**	**53,770**	**53,770**
Dividends distributed	—	—	—	—	(30,000)	—	**(30,000)**	*(30,000)*
Transactions with shareholders	—	—	—	—	**(30,000)**	—	**(30,000)**	**(30,000)**
Allocation of profit	—	—	—	—	72,342	(72,342)	**—**	—
December 31, 2017	**40,000**	**51,829**	**8,000**	**(2,800)**	**347,772**	**—**	**444,801**	**444,801**

FEDRIGONI GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

Fedrigoni S.p.A. (the "Company") prepares its financial statements in accordance with the relevant provisions of the Italian Civil Code, which regulates their preparation, as interpreted by the accounting principles issued by the *Organismo Italiano di Contabilità* ("Italian GAAP"). Fedrigoni S.p.A. used the exemption provided by Italian Legislative Decree 127/1991, Article 27, paragraph 3 and prepared Consolidated Financial Statements for the years ended December 31, 2017 and 2016 on a voluntary basis in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU-IFRS).

1. GENERAL INFORMATION

Fedrigoni S.p.A. is a company incorporated and domiciled in Italy and organized under Italian law.

Fedrigoni S.p.A. (the "Company") was incorporated on August 5, 1999 under the name Papelco S.r.l. with its registered office at Viale Piave 3, Verona. It changed its name to Fedrigoni Cartiere S.p.A. on December 18, 1999 and then to Fedrigoni S.p.A. on January 1, 2011. San Colombano S.p.A. (the "Parent company"), whose registered office is at Viale Piave 3, Verona, Italy, controls the Company with 99.99% of the voting shares.

The Fedrigoni Group (the "Group") produces and sells paper, security products and self-adhesive items (Converting segment). Specifically, it produces, transforms and distributes worldwide coated and uncoated graphic papers for the general and specialized press and for publishing, bookbinding, packaging, finishing and converting applications for commercial and personal use, technical and industrial use, office use, and artistic and scholastic use. The Group produces, converts and distributes worldwide adhesive and anti-adhesive papers and materials. It is the sole Italian producer of paper for banknotes and one of the world's leading names in this particular market segment. The Group's main brands are *Fedrigoni* and *Fabriano*.

This document was approved by the Company's Board of Directors on March 23, 2018.

2. SUMMARY OF ACCOUNTING STANDARDS

Provided below are the main accounting standards and principles applied in the preparation of the Group's consolidated financial reports.

2.1 BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union, and with the provisions issued in enactment of Italian Legislative Decree n. 38/2005, Article 9. The term "EU-IFRS" means the International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), and all Interpretations of the International Financial Reporting Interpretations Committee (IFRIC, previously known as the Standing Interpretations Committee, or SIC) which, as of the date of approval of the Consolidated Financial Statements, have been endorsed by the European Union in accordance with the procedures established by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002. The EU-IFRS have been applied consistently in all periods presented herein. The Consolidated Financial Statements have been prepared according to the best knowledge of the EU-IFRS and taking into consideration the best doctrine applicable. Any future changes in interpretation or orientation will be reflected in subsequent periods as established at the time by applicable accounting standards.

The Consolidated Financial Statements have been prepared on a going-concern basis, given that management has verified that there are no financial, operational, or other indicators of critical issues regarding the ability of the Group to meet its obligations over the next 12 months or in the foreseeable future. A description of how the Group manages financial risk, including both liquidity and equity risk, is provided in Note 3 regarding the management of financial risks.

The Consolidated Financial Statements are presented in Euros, the currency used in the economies in which the Group primarily operates. All amounts shown in this document are expressed in thousands of Euros unless otherwise specified.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Below is a description of the various financial statements and related classification criteria adopted by the Group as envisaged in IAS 1—Presentation of Financial Statements*:*

- The *consolidated statement of financial position* has been prepared by classifying assets and liabilities as either current or non-current;
- The *consolidated income statement* has been prepared by classifying operating costs by their nature;
- The *consolidated statement of comprehensive income* includes both the net profit for the period as shown in the separate consolidated income statement and the other changes in equity resulting from transactions not entered into with shareholders of the Company;
- The *consolidated statement of cash flows* has been prepared by showing the cash flows resulting from operations by way of the "indirect" approach".

The Consolidated Financial Statements have been prepared on a historical-cost basis with the exception of the measurement of financial assets and liabilities, including derivative instruments, in which cases the fair-value approach is mandatory.

2.2 BASIS AND METHOD OF CONSOLIDATION

Described below are the criteria adopted by the Group in determining the companies to be consolidated in terms of subsidiaries and associates and their respective consolidation methods.

a) Consolidated companies

i) Subsidiaries

The Consolidated Financial Statements include those of the Company and companies in which Fedrigoni S.p.A. exercises control either directly or indirectly through other subsidiaries. Control is considered to begin on the date on which the company is acquired and end when control over the company ceases.

Subsidiaries are consolidated on a line-item basis as described below:

- the assets and liabilities, income and expenses are consolidated line by line, with non-controlling interests allocated their share of equity and net profits as shown separately in the statement of changes in equity, consolidated income statement, and consolidated statement of comprehensive income;
- business combinations which, during the period under review, result in acquiring control over an entity are recognized using the acquisition method. The acquisition cost is the fair value, at the control transfer date, of assets acquired, liabilities assumed, and equity instruments issued. Transaction costs are recognized through profit or loss on the date on which the related services are provided. The assets, liabilities and contingent liabilities acquired are recognized at their fair value at the acquisition date. The difference between the acquisition cost and the fair value of the assets and liabilities acquired is recognized, if positive, among intangible assets as goodwill or, if negative and after verifying the proper measurement of the fair value of the assets and liabilities acquired and their acquisition cost, through profit or loss. If the fair value of the identifiable assets and liabilities acquired can be determined only provisionally, the business combination is recognized using the provisional values. Any adjustments resulting from the measurement process are recognized within twelve months from the acquisition date, and the comparative figures are remeasured;
- the acquisition of non-controlling interests related to entities in which there is already control, or the sale of non-controlling interests that do not result in a loss of control, are considered equity transactions. This means that, in the event of acquisition or sale of non-controlling interests that result in control being maintained, any difference between the acquisition/sale cost and the related share of equity acquired/sold is recognized in equity;
- receivables, payables, income and expenses between the consolidated companies as well as significant profits and losses and related tax effects resulting from transactions conducted between companies and

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

not yet realized with other parties are eliminated, with the exception of unrealized losses, which are not eliminated if the transaction provides evidence of an impairment loss of the business transferred. Also eliminated, if material, are reciprocal receivables and payables, revenues and expenses, financial income and finance costs;

- profits or losses resulting from the sale of equity interests in consolidated companies that results in a loss of control over that entity are recognized through profit or loss in an amount equal to the difference between the selling price and the corresponding share of the equity sold.

The financial statements of subsidiaries are prepared with reporting periods ending on December 31, which is the same reporting date for the Consolidated Financial Statements, and have been prepared and approved by the boards of directors of the respective entities and adjusted, as necessary, to ensure uniformity in the accounting standards adopted within the Group.

On February 22, 2017, a resolution was passed at Fedrigoni Trading (Shanghai) Company Limited's General Meeting to increase that company's share capital by HKD 400,000, equivalent to CNY 2,747,067, which was fully subscribed by Fedrigoni Asia Ltd.

ii) Associates

Associates are companies over which the Group exercises significant influence, which is the power to contribute to determining the financial and operating policies of the entity without having either control or joint control. Significant influence is assumed to exist when at least 20% of the exercisable voting rights is held either directly or indirectly through subsidiaries. When determining the existence of significant influence, potential voting rights that are actually exercisable or convertible are also taken into account. Investments in associates are measured using the equity method and initially recognized at the cost incurred for their acquisition. A description of the equity method is provided hereunder:

- the carrying value of these investments is aligned with the equity held and adjusted, as necessary, in application of the EU-IFRS; this includes the recognition of the greater value attributed to the assets and liabilities and any goodwill established at the time of acquisition;
- profit or loss attributable to owners of the parent company is recognized from the date on which significant influence began until the date on which it ceases; if realized losses of a company measured at equity should result in negative equity, the carrying value of the investment is eliminated, and any excess attributable to the owners of the parent is recognized in a specific reserve if the parent has undertaken to meet the associate's legal or other constructive obligations; changes in equity for companies measured at equity that are not related to net profits are recognized as a direct adjustment to equity reserves;
- significant, unrealized profits and losses generated on transactions between the Company, its subsidiaries and equity-accounted associates are eliminated based on the value of the equity interest that the Group owns in the associate. Unrealized losses are eliminated, with the exception of cases in which such losses represent an impairment loss.

A list of subsidiaries and associates, which includes information on their headquarters and the respective ownership interests, is provided in Annex 1.

b) Translation of foreign currency balances

The financial statements of subsidiaries and associates are prepared using the currency of the primary economy in which they operate (i.e. the "functional currency"). The rules for translating financial statements expressed in a currency other than the euro are as follows:

- assets and liabilities are translated using the exchange rates in effect at the end of the reporting period;
- income and expenses are translated at the average exchange rate for the reporting period;

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

- the translation reserve shown in the statement of comprehensive income includes both the exchange rate differences generated by the translation of balances at a different rate from that of the closing date and those generated by the translation of opening equity balances at a different rate from that of the reporting date;
- the goodwill and fair-value adjustments related to the acquisition of foreign entities are treated as assets and liabilities of the foreign entity and translated at the end-of-period exchange rate.

Companies within the consolidation perimeter at December 31, 2017 with a different functional currency from the Euro are Fedrigoni UK Ltd (GBP), Fedrigoni Asia Ltd (HKD), Fedrigoni Brasil Papeis Ltda (BRL), GPA Holding Company Inc. (USD), Fedrigoni Trading (Shanghai) Company Limited (CNY) and Concept Couleurs Sàrl (CHF).

The exchange rates used to translate the financial statements of companies with a different functional currency from the Euro are reported in the following table:

	Average for year ended December 31		At December 31,	At December 31,
Currency	2017	2016	2017	2016
GBP	0.8762	0.8195	0.8872	0.8562
BRL	3.6041	3.8561	3.9729	3.4305
CNY	7.6264	7.3522	7.8044	7.3202
CHF	1.1115	1.0902	1.1702	1.0737
USD	1.1293	1.1069	1.1993	1.0541
HKD	8.8012	8.5922	9.3720	8.1751

c) *Translation of foreign currency items*

Transactions in a currency other than the functional currency are recognized at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in a currency other than the euro are subsequently adjusted at the exchange rate in effect at the end of the reporting period. Non-monetary assets and liabilities denominated in a currency other than the euro are recognized at historical cost using the exchange rate in effect when the transaction was initially recognized. Any currency differences arising from such translation are recognized in profit or loss.

2.3 ACCOUNTING POLICIES

• PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at purchase or production cost net of accumulated depreciation and any impairment losses. The purchase or production cost includes any charges incurred directly to bring the assets to working condition for their intended use, as well as any charges for disposal and removal that should be incurred as a result of contractual obligations that require restoring the asset to its original condition. Finance costs directly attributable to the purchase or construction of qualified assets are capitalized and depreciated over the useful life of the related asset.

Expenditure incurred for routine and/or cyclical maintenance and repairs is fully recognized directly in the income statement of the period in which they are incurred. Costs related to the expansion, modernization or improvement of structural components of owned assets are capitalized when such components meet the requirements for separate classification as assets or part of an asset in application of the component approach, which establishes that each component subject to separate determination of its useful life and related value must be treated individually.

Depreciation is recognized monthly on a straight-line basis based on rates that enable the asset to be fully depreciated by the end of its useful life.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

The useful lives estimated by the Group for the main categories of fixed assets are as follows:

Land	Not depreciated
Buildings	2.5%
Plant and machinery	5-10%
Equipment	7- 12.5%
Other tangible assets	7-20%

The useful lives of property, plant and equipment and the residual value of such assets are reviewed and updated as necessary at the end of each year. Land is not depreciated.

Assets under finance leases

Property, plant and equipment held by way of finance leases, which transfer substantially all risks and rewards of ownership to the Group, are recognized as assets of the Group at their fair value at the lease stipulation date or at the present value of the minimum lease payments due, whichever is lower, including any amounts to be paid when exercising the purchase option. The corresponding obligation to the lessor is included among financial liabilities. Assets are depreciated using the rates and policies described above, except in cases where the term of the lease is shorter than the useful life as defined above and there is no reasonable certainty of the actual transfer of ownership of the leased asset upon the natural expiration of the agreement. In such cases, the depreciation period is the lease term.

Leases in which the lessor maintains essentially all risks and benefits of ownership of the asset are considered to be operating leases. The costs related to operating leases are recognized on a straight-line basis through profit or loss throughout the duration of the agreement.

Sale and leaseback with finance leases

If a sale and leaseback transaction corresponds to a finance lease, any excess of the sale price paid over the carrying value is not recognized immediately as a gain, but rather is recognized as deferred income and recognized through profit or loss over the lease term.

- **INTANGIBLE ASSETS**

Intangible assets are identifiable, non-monetary items without physical substance, which generate future economic benefits. Goodwill is included when acquired for valuable consideration. Intangible assets are recognized at purchase and/or production cost including any directly attributable expenses incurred to prepare the asset for use and net of accumulated amortization and any impairment losses. Any interest expense accrued during and for the development of intangible assets is considered part of the purchase cost.

Amortization begins when the asset is available for use and is recognized systematically in relation to the remaining useful life of the asset.

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life, i.e. the estimated period in which such assets will be used by the Group. Intangible assets with a finite useful life are tested for impairment in order to determine whether those assets have suffered a loss in value (impairment loss) whenever there is any indication thereof.

Intangible assets with an indefinite useful life are not depreciated, but they are tested for impairment at least annually. The impairment test is described in the section on “impairment losses”.

When part or all of a previously acquired business is sold, and goodwill had emerged on the acquisition, the corresponding residual value of goodwill is taken into account in determining the capital gain or capital loss on the sale.

(a) Industrial patents and intellectual property rights

Patents and intellectual property rights are amortized on a straight-line basis over their useful life.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

(b) Concessions, licenses and trademarks

Concessions, licenses and trademarks are amortized on a straight-line basis over their respective term.

Costs for software licenses, including expenses incurred in order to make the software ready for use, are amortized on a straight-line basis over a period of 3 years.

Costs related to software maintenance are expensed as incurred.

(c) Research and development costs

Research costs are expensed as incurred, whereas development costs are recognized as intangible assets when all the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project has been demonstrated;
- the intention to complete the project and to sell the intangible assets generated has been demonstrated;
- a potential market exists or, in the event of internal use, the utility of the intangible asset to produce the intangibles generated by the project has been demonstrated;
- the technical and financial resources needed to complete the project are available.

The amortization of any development costs recognized as intangible assets begins on the date on which the project becomes marketable.

In an identified internal project for the creation of an intangible asset, if the research stage is indistinguishable from the development stage, the cost of this project is fully recognized through profit or loss as if there had only been a research stage.

- **IMPAIRMENT OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS**

At each reporting date, a review is performed to determine whether there is any indication that assets have suffered an impairment loss. Both internal and external sources of information are taken into account for the impairment testing. Internal sources include: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the financial performance of the asset compared to expectations. External sources of information include: trends in the market price of the asset; any technological, market or legislative changes; trends in market interest rates or in the cost of capital used to measure the value of the investment.

If any such indication exists, the recoverable value of the asset is estimated, and any impairment loss compared to the current carrying value is recognized in the income statement. The recoverable value of an asset is its fair value less any costs to sell or its value in use (i.e. the present value of estimated future cash flows generated by the asset), whichever is greater. To determine value in use, the present value of expected future cash flows is calculated using a pre-tax discount rate that reflects the current market values of the cost of money based on the investment period and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the recoverable value is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying value of the asset or of the related cash-generating unit exceeds its recoverable value. Impairment of cash-generating units is initially recognized as a reduction of the carrying value of any goodwill attributed to it and subsequently as a reduction of the other assets proportionate to their carrying values and to the extent of their respective recoverable values. If the conditions for a previous impairment loss should cease to exist, the carrying value of the asset is reinstated and recognized in the income statement to the extent of the net carrying value that the asset would have had if it had not been written down and all related depreciation or amortization had been recognized.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

- **INVESTMENT PROPERTY**

Investment property is property owned for the purpose of receiving rent payments, realizing a capital gain on the investment, or both, which generates cash flows that are largely independent of the other assets. Investment property follows the same measurement, recognition and depreciation criteria applied for property, plant and equipment.

- **NON-CURRENT ASSETS HELD FOR SALE**

This item comprises non-current assets (or disposal groups) whose value will be recovered through sale rather than through continuing use. Non-current assets held for sale (or disposal groups) are measured at the lower of the carrying amount and fair value less costs to sell.

- **TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS**

Trade receivables and other financial assets are initially recognized at fair value and subsequently at amortized cost in accordance with the effective interest rate approach, net of any write-downs. Trade receivables and other financial assets are included among current assets, excluding those contractually due after twelve months from the reporting date, in which case they are classified as non-current assets.

Impairment losses on receivables are recognized when there is objective evidence that the Group will not be able to collect the amount from the counterparty based on the terms of the related agreement.

Objective evidence includes events such as:

- significant financial difficulty of the issuer or debtor;
- pending legal disputes with the debtor concerning the receivables;
- likelihood that the debtor will declare bankruptcy or will initiate other such financial restructuring procedures.

The amount of the writedown is measured as the difference between the carrying value of the asset and the present value of the future cash flows and is recognized in the income statement under “other costs”. Uncollected receivables are eliminated from the statement of financial position and recognized in a provision for doubtful debts. If the reasons for a previous writedown should cease to exist in future periods, the value of the asset is reinstated at the value of its amortized cost without the writedown.

Financial assets are written off when the right to receive cash flows from them ceases or is transferred, or when the Group has substantially transferred all risks, rewards and control associated with the financial instrument to a third party.

- **DERIVATIVES**

Derivative instruments are used for strategic and financial hedging purposes. However, some conditions set by EU-IFRS concerning hedge accounting are not present, so the derivatives are recognized as trading instruments. Accordingly, derivatives are initially recognized at fair value, and subsequent changes in fair value are recognized as components of financial income and finance costs for the period.

- **DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial instruments listed on an active market is based on the market prices of the reporting date. The fair value of financial instruments not listed on an active market is determined using valuation approaches based on a series of methods and assumptions related to the market conditions as at the reporting date.

The fair value classification of financial instruments is set forth below based on the following hierarchical levels:

Level 1: fair value determined based on quoted (non-adjusted) prices in active markets for identical financial instruments;

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Level 2: fair value determined using valuation techniques based on inputs that are observable in active markets;

Level 3: fair value determined using valuation techniques based on unobservable inputs in active markets.

Given the short-term nature of trade receivables and payables, we believe that the carrying value is a good approximation of their fair value.

For more information on the valuation of financial instruments at fair value based on this hierarchy, see Note 3.5.

- **INVENTORIES**

Inventories are recognized at the lower of purchase or production cost and net realizable value, i.e. the amount that the Group expects to receive on their sale under normal business conditions, less costs to sell. The cost of inventories of raw and ancillary materials, consumables and finished products is determined by using the weighted average cost method.

The cost of finished products and semi-finished goods includes the costs of raw materials, direct labor and other production costs (based on normal operating capacity). Finance costs are not included in the measurement of inventories because the conditions for their capitalization are not present.

- **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include available bank deposits and other forms of short-term investment with a maturity not exceeding three months. At the reporting date, bank overdrafts are classified as current financial liabilities. The items included in cash and cash equivalents are measured at fair value, and subsequent changes are recognized through profit or loss.

- **TRADE PAYABLES AND OTHER LIABILITIES**

Trade payables and other liabilities are initially recognized at fair value net of directly attributable costs and are subsequently measured at amortized cost using the effective interest rate method.

- **FINANCIAL LIABILITIES**

Financial liabilities, which relate to loans, finance leases and other payment obligations, are initially recognized at fair value net of transaction costs and are subsequently recognized at amortized cost using the effective interest rate method. In the event of changes in the expected cash flows, the value of the liability is recalculated in order to reflect such change based on the present value of the new expected cash flows and using the initially determined internal rate of return. Financial liabilities are classified among current liabilities, excluding those with a contractual maturity of twelve months after the reporting date and excluding those for which the Group has the unconditional right to defer payment for at least twelve months from such date.

Purchases and sales of financial liabilities are recognized on the transaction settlement date.

Financial liabilities are eliminated from the statement of financial condition when paid in full and/or when the Group has transferred all risks and charges related to the instrument.

- **EMPLOYEE BENEFITS**

Short-term benefits include wages, salaries, related social security charges, compensation for unused vacation time, and incentives and bonuses payable within twelve months of the reporting date. These benefits are recognized as components of the cost of personnel during the period of service.

Pension funds

The companies of the Group have both defined-contribution and defined-benefit plans.

The defined-contribution plans are managed by external fund managers in relation to which there are no legal or other obligations to pay further contributions if the fund should have insufficient assets to meet the

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

obligations toward employees. For those defined-contribution plans, the Group gives voluntary or contractually set contributions to both public and private pension funds. The contributions are recognized as costs of personnel on an accruals basis. Advance contributions are recognized as an asset to be reimbursed or used to offset any future payments due.

A defined-benefit plan is one that cannot be classified as a defined-contribution plan. In defined-benefit plans, the amount of the benefit to be paid to the employee is quantifiable solely upon termination of employment and is tied to one or more factors, such as age, seniority, and salary level. As such, the obligations of a defined-benefit plan are determined by an independent actuary using the projected unit credit method. The present value of a defined-benefit plan is determined by discounting the future cash flows at an interest rate that is equal to that of high-quality corporate bonds issued in the currency in which the liability is to be settled and which takes into account the term of the related pension plan. Actuarial gains or losses resulting from these adjustments are shown in the statement of comprehensive income as a component of such income. The Group manages solely one defined-benefit plan, which is the fund for employee severance indemnities (or "TFR"). This fund, which is a form of deferred remuneration, is mandatory for Italian companies in accordance with Article 2120 of the Italian Civil Code and is correlated to the length of employment and the salary received throughout the period of service. On January 1, 2007, Italian law no. 296 of December 27, 2006 ("2007 Financial Law"), and subsequent law decrees and regulations introduced significant changes as to how this fund is to be handled, including the right for employees to choose whether their benefit is accumulated in a supplemental pension fund or in the "treasury fund" managed by INPS. As a result, the obligation toward INPS and the contributions to supplementary pension funds have, in accordance with IAS 19 – Employee Benefits, become defined-contribution plans, whereas the amounts contributed to the TFR fund as at January 1, 2007 maintain their status as defined-benefit plans.

- **PROVISIONS FOR RISKS AND CHARGES**

Provisions for risks and charges are recognized for certain or probable losses and other charges of a given nature, but for which the amount and/or timing cannot be determined. The provision for agency termination represents amounts that could be due as a result of the termination of agency relationships in effect at the reporting date.

Provisions are recognized only when there is a present obligation (legal or constructive) for a future outflow of economic resources that has arisen as a result of past events and when it is probable that such outflow will be required to settle the obligation. The amount allocated represents the best estimate of the amount required to settle the obligation. The discount rate used to determine the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.

Where the effect of the time value of money is material and the payment dates of the obligations can be estimated reliably, the provisions are measured at the present value of the outflow expected using a rate that reflects current market conditions, the change in the time value of money, and the risks specific to the liability. Any increases in value of the provision attributable to changes in the time value of money are recognized as interest expense.

Risks for which a liability is only possible are disclosed as contingent liabilities, and no provision is allocated for them.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

- **RECOGNITION OF REVENUES**

Revenues are recognized at the fair value of the consideration received for the sale of products and services of the Group's ordinary operations. Revenues are recognized net of value added tax, expected returns, rebates and discounts. Revenues are recognized as follows:

Sales revenues

Revenues from the sale of goods are recognized when the risks and rewards associated with the ownership of the goods are transferred to the buyer, the sales price is agreed or determinable, and such price is expected to be paid.

Interest income

Interest income is recognized in the consolidated income statement based on the effective rate of return. It refers primarily to interest earned on bank accounts.

- **GOVERNMENT GRANTS**

When formally authorized and when the right to their disbursement is deemed definitive based on reasonable certainty that the Group will meet the underlying conditions and that the grants will be received, government grants are recognized based on the matching concept of income and expenses.

Grants relating to assets

Government grants relating to fixed assets are recognized as deferred income among "other liabilities", either current for short-term portions or non-current for long-term portions. Deferred income is recognized in the income statement as "other operating income" on a straight-line basis over the useful life of the asset for which the grant is received.

Grants for operating expenses

Grants other than those relating to assets are recognized on the income statement under "other operating income".

- **RECOGNITION OF EXPENSES**

Expenses are recognized when relating to goods or services acquired or consumed during the period or when systematically allocated.

- **INCOME TAXES**

Current income taxes are calculated based on the taxable income for the period at the tax rates in effect on the reporting date.

Deferred taxes are calculated for differences emerging between the tax base of an asset or liability and its related carrying value, with the exception of goodwill and differences related to investments in subsidiaries when the timing of such differences is subject to control by the Group and it is probable that they will not be recovered in a reasonably foreseeable time frame. Deferred tax assets, including those concerning accumulated tax losses, for the portion not offset by deferred tax liabilities, are recognized to the extent to which it is probable that there will be sufficient future taxable earnings to recover the deferred taxes. Deferred tax assets and liabilities are measured based on the tax rates expected to apply in the period in which the differences will be realized or settled.

Current and deferred taxes are recognized in the income statement under "income taxes", excluding those related to items shown in the consolidated statement of comprehensive income other than net profits and items recognized directly in equity. In the latter cases, deferred taxes are recognized under "income taxes related to

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

other comprehensive income" in the consolidated statement of comprehensive income and directly in equity. Income taxes are offset when they are assessed by the same fiscal authority, there is a legal right to such offsetting, and the net balance is expected to be settled.

Other taxes unrelated to income, such as indirect taxes and other duties, are included with "other costs".

- **EARNINGS PER SHARE**
  - *Earnings per share—basic*

Basic earnings per share is calculated by dividing the Group's net profit by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares.

  - *Earnings per share—diluted*

Diluted earnings per share is calculated by dividing the Group's net profit by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares. To calculate diluted earnings per share, the weighted-average number of shares in circulation is adjusted by assuming the exercising of all rights that could potentially have a dilutive effect, and the Group's net profit is adjusted to take into account any effect, net of taxes, of exercising such rights.

- **RECENTLY ISSUED ACCOUNTING STANDARDS**

The Group's adoption of accounting standards and interpretations that are mandatory from January 1, 2017 did not have any significant effects on the financial statements. Below are the main standards and annual improvements that came into effect on January 1, 2017:

- Amendment to IAS 7—"Disclosure Initiative" (published on January 29, 2016). The document intends to clarify disclosures about financial liabilities. Specifically, the amendments require providing disclosures that enable users of financial statements to understand changes in liabilities deriving from financing activities. The required disclosure has been added in Note 20.
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses" (published on January 19, 2016). The amendments give guidance that clarify how to account for deferred tax assets on unrealized losses when measuring financial assets classified as available for sale in certain circumstances and on estimated taxable future earnings.
- Annual Improvements to IFRSs: 2014-2016 Cycle, published on December 8, 2016, including IFRS 12—Disclosure of interests in other entities—Clarification of the scope of the standard. Management does not expect its adoption will significantly affect the consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS, AND INTERPRETATIONS NOT YET EFFECTIVE AND NOT APPLIED IN ADVANCE BY THE GROUP

As of this writing, the European Union authorities have approved the following accounting standards and amendments that are not yet effective for the Group.

- IFRS 15—"Revenue from Contracts with Customers" (published on May 28, 2014 and integrated with additional clarifications on April 12, 2016), which shall supersede IAS 18—"Revenue" and IAS 11—"Construction Contracts", as well as IFRIC 13—"Customer Loyalty Programmes", IFRIC 15—"Agreements for the Construction of Real Estate", IFRIC 18—"Transfers of Assets from Customers" and SIC 31—"Revenues-Barter Transactions Involving Advertising Services". The standards establish a model framework for recognizing revenues, which will apply to all contracts stipulated with customers except those falling within the scope of application of other IAS/IFRS, such as leases, insurance contracts and financial instruments. The basic steps to recognize revenue according to the new model are:
  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract;

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognize revenue when (or as) the entity satisfies a performance obligation.

The standard is effective for annual periods beginning on or after January 1, 2018. The amendments to IFRS 15, "Clarifications to IFRS 15—Revenue from Contracts with Customers" were endorsed by the European Union on November 6, 2017. Based on the analyses performed, Management does not expect application of IFRS 15 will have a significant impact on the recognition and measurement of revenue in the Group's consolidated financial statements. The Group will adopt the standard using the modified retrospective transition approach however, it does not expect to record a cumulative effect adjustment to retained earnings as at January 1, 2018.

- Final version of IFRS 9—"Financial Instruments" (published on July 24, 2014). The document brings together results of the IASB's project to replace IAS 39:
  - it establishes new criteria for classifying and accounting for financial assets and financial liabilities;
  - the new standard sets out a new "expected loss" impairment model (which replaces the incurred loss model in IAS 39) using supportable information, available without unreasonable costs or efforts, including information about past events, current conditions and forecasts;
  - it includes a new hedge accounting model (additional types of transactions eligible for hedge accounting, change in accounting methods for forward contracts and options included in hedge accounting, changes to effectiveness testing).

  The standard is effective for annual periods beginning on or after January 1, 2018. Management has the following considerations about the possible effects of its application:

  - With respect to the classification of financial assets and liabilities, Management deems that it should not significantly affect the Group's consolidated financial statements or disclosures.
  - With respect to the impairment model, the Group currently calculates the impairment of the largest financial assets (trade receivables) partly analysing specific position and partly adopting an estimate model based on past experience and historical credit collection trends. This methodology, based on Management's assessment, approximates the expected credit losses model required by IFRS 9. Therefore, Management does not deem that this issue will have a significant impact on the Group's consolidated financial statements, except as regards the updating of model to perform the estimates underlying the calculation.
  - The Group will adopt a retrospective transition approach.
- IFRS 16—"Leases" (published on January 13, 2016), intended to supersede IAS 17—"Leases", as well as IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases—Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

  The new standard provides a new definition of leases and introduces a method based on the right of use of an asset to distinguish between a lease and a service, using as discriminating factors: identification of the asset, right of substitution of the asset, right to obtain substantially all the economic benefits from use of the asset and right to direct the identified leased asset's use. The standard provides for a single model to account for leases whereby a lessee recognizes a right-of-use asset (even under an operating lease) and a lease liability, unless the lease term is 12 months or less or the underlying asset has a low value. The standard does not include significant changes for lessors.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

The standard is effective for annual periods beginning on or after January 1, 2019 but earlier application is permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied. Management expects the application of IFRS 16 to have an important impact on its lease accounting and the related disclosures reported in the Group's Consolidated Financial Statements. However, until the Group has completed a detailed analysis of the leases, it is not possible to provide a reasonable estimate of such effects.

- Annual Improvements to IFRSs: 2014-2016 Cycle, published on December 8, 2016 (including IFRS 1—First-time adoption of international financial reporting standards—Deletion of short-term exemption for first, time adopters, IAS 28 Investments in associates and joint ventures—Measuring investees at f-air value through profit or loss: an investment-by-investment choice or a consistent policy choice) which partly supplement the existing standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2018. Management does not expect their adoption will significantly affect the consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS, AND INTERPRETATIONS NOT YET ENDORSED BY THE EU

At the reporting date, the EU's relevant bodies had not yet completed the endorsement process for adoption of the following amendments and standards.

- On May 18, 2017, the IASB published IFRS 17—Insurance contracts, which will supersede IFRS 4—Insurance contracts. The standard applies to annual periods beginning on or after January 1, 2021 but earlier application is allowed for those entities that apply IFRS 9—Financial instruments and IFRS 15—Revenue from contracts with customers. Management does not expect its adoption will significantly affect the consolidated financial statements.
- IFRIC 22—Foreign currency transactions and advance consideration (published on December 8, 2016). The interpretation is effective for annual periods beginning on or after January 1, 2018. Management does not expect its adoption will significantly affect the consolidated financial statements.
- Amendments to IAS 40—Transfers of investment property (published on December 8, 2016). The amendments are effective for annual periods beginning on or after January 1, 2018. Management does not expect its adoption will significantly affect the consolidated financial statements.
- On June 7, 2017, the IASB published IFRIC 23—Uncertainty over income tax treatments. The new interpretation is effective for annual periods beginning on or after January 1, 2019.
- Amendments to IFRS 9—Prepayment features with negative compensation (published on October 12, 2017). The amendments are effective for annual periods beginning on or after January 1, 2018.
- Amendments to IAS 28—Long-term interests in associates and joint ventures (published on October 12, 2017). The amendments are effective for periods beginning on or after January 1, 2019.
- Annual Improvements to IFRSs 2015-2017 Cycle, published on December 12, 2017 (including IFRS 3—Business Combinations and IFRS 11—Joint Arrangements—Remeasurement of previously held interest in a joint operation, IAS 12—Income taxes—Income tax consequences of payments on financial instruments classified as equity, IAS 23—Borrowing costs—Disclosure of interests in other entities—Borrowing costs eligible for capitalisation) that include the amendments to some standards as part of the annual improvement process. The amendments are effective for periods beginning on or after January 1, 2019.
- Amendments to IFRS 10 and IAS 28—Sales or contribution of assets between an investor and its associate or joint venture (published on September 11, 2014). The amendments were published to resolve the current conflict between IAS 28 and IFRS 10 about the measurement of gains or losses on the sale or contribution of a non-monetary asset to a joint venture or an associate in exchange for a share of its capital. The IASB has currently deferred application of these amendments.

3. Financial risk management

The Group's business is exposed to various types of risk: market risk, credit risk and liquidity risk. The Group's risk management strategy focuses on market unpredictability and aims to minimize the potential adverse effects on the Group's financial performance. Some types of risk are mitigated through the use of derivatives.

Risk management is centralized with the Treasury Management function, which identities, assesses and hedges financial risks by working closely with the Group's business units. The Treasury Management function provides policies and guidelines for monitoring risk management particularly with respect to foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and ways to invest excess cash.

3.1 Market risk

In performing its business activity, the Group is exposed to various market risks, particularly the risk of fluctuations of interest rates, foreign exchange rates, and cellulose assets and natural gas prices.

To contain such risk within the risk management limits defined at the start of the year, derivatives are stipulated for interest and foreign exchange risks.

The Group does not stipulate derivatives for speculative purposes.

Interest rate risk

The Group's interest rate risk originates primarily from long-term, variable-rate loans.

The variable-rate loans expose the Group to risk arising from interest rate volatility (cash flow risk). The Group uses Interest Rate Caps ("Caps") to hedge such risk.

Foreign exchange risk

The Group conducts business on an international level, so it is exposed to the foreign exchange risk deriving from the different currencies in which the Group operates (prevalently the U.S. Dollar, British Pound Sterling and Brazilian Real).

The foreign exchange risk originates from sales transactions that have not occurred yet and from assets and liabilities that are already recognized in the financial statements in currencies other than the Euro.

To hedge against risks associated with assets and liabilities already recognized in the financial statements in currencies other than the Group's functional currency, in some instances the Group uses currency forwards. The currency forward contracts usually have a maximum term of twelve months.

Price risk

The Group is exposed to price risk primarily on its cellulose and energy procurement, whose costs are subject to market volatility.

The Group controls the exposure to raw material and energy commodity price changes mainly by monitoring the costs incurred against the budget, with activities aimed to reduce costs and volatility risk through negotiations with suppliers, whenever possible.

Accounting for derivatives

The Group holds derivatives exclusively for hedging purposes.

However, although some derivatives are designated to hedge interest rate risk and foreign exchange risk, they are embedded with optional components that make them ineligible for hedge accounting: therefore, the changes in fair value of these derivatives follow the general rule observed for trading derivatives, i.e. they are recognized directly in profit and loss and affect the result for the period.

3. FINANCIAL RISK MANAGEMENT (Continued)

The tables below set forth the notional amounts of the derivatives at December 31, 2017 and 2016, according to their type.

	December31,	
	2017	2016
	(Amounts in thousands)	
USD forward purchase	40,500	32,800
USD forward sale	3,323	4,367
GBP forward sale	7,521	7,091
AUD forward sale	1,203	1,190

The tables below set forth the fair values of the derivatives according to their type.

	December 31,			
	2017		2016	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
	(in thousands of Euros)			
Currency derivatives	547	74	428	1,597
Total	**547**	**74**	**428**	**1,597**

Sensitivity analysis

A sensitivity analysis is set forth below, in which the impact of an increase or decrease in interest rates on the profit or loss for the year is presented:

	Year ended December 31, 2017	
	Gain / (Loss)	
	+100 bps	-100 bps
	(in thousands of euros)	
Finance leases	(42)	42
Other financing	(1,016)	682
Total	**(1,058)**	**724**

	Year ended December 31, 2016	
	Gain / (Loss)	
	+100 bps	-100 bps
	(in thousands of euros)	
Finance leases	(63)	63
Other financing	1,358	(1,358)
Total	**1,295**	**(1,295)**

3. FINANCIAL RISK MANAGEMENT (Continued)

A sensitivity analysis is set forth below, in which the impact of an increase/decrease in the exchange rates of the currencies in which the Group primarily operates on the profit or loss for the period is presented:

	Year ended December 31, 2017											
	USD		GBP		YEN		CNY		BRL		OTHER	
	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	-10%	+10%	- 10%	+ 10%	- 10%
	(in thousands of euros)											
Trade receivables	2,129	(2,603)	929	(1,136)	1	(1)	2	(2)	1,585	(1,937)	101	(124)
Trade payables	(4,246)	5,189	(39)	48	(45)	55	(68)	84	(1,590)	1,943	(1)	1
Financial receivables	—	—	1	(1)	—	—	—	—	—	—	3	(4)
Financial payables	—	—	—	—	—	—	(117)	143	—	—	—	—
Currency derivatives	(4,626)	2,756	(779)	934	—	—	—	—	—	—	(86)	72
Total	**(6,743)**	**5,342**	**112**	**(155)**	**(44)**	**54**	**(183)**	**225**	**(5)**	**6**	**17**	**(55)**

	Year ended December 31, 2016											
	USD		GBP		YEN		CNY		BRL		OTHER	
	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	-10%	+ 10%	- 10%	+ 10%	- 10%
	(in thousands of euros)											
Trade receivables	1,765	(2,157)	899	(1,099)	63	(77)	(140)	171	2,019	(2,468)	41	(50)
Trade payables	(3,231)	3,949	(10)	12	251	(307)	—	—	(1,470)	1,797	—	—
Financial receivables	—	—	2	(3)	—	—	125	(153)	—	—	1	(2)
Currency derivatives	(2,838)	3,467	(567)	683	—	—	—	—	—	—	—	—
Total	**(4,304)**	**5,259**	**324**	**(407)**	**314**	**(384)**	**(15)**	**18**	**549**	**(671)**	**42**	**(52)**

3.2 CREDIT RISK

The credit risk essentially coincides with the amount of trade receivables recognized at the reporting dates. The Group has no significant concentration of credit risk and no customers that alone account for more than 4.02% of the Group's sales revenues.

All the same, procedures are in place to ensure that the sales of products and services are conducted with customers that have shown to be reliable in the past; moreover, insurance policies are stipulated to cover any unexpected losses. The Group also checks constantly its outstanding receivables, and monitors their collection within the established time limits.

The parties that handle cash and financial resource management are restricted to high-profile, reliable partners.

The following tables set forth an aging analysis of the trade receivables at December 31, 2017 and 2016, with separate indication of the provision for doubtful debts:

	December 31, 2017						
	Falling due	Past-due				Provision for doubtful debts	Total
		0-30	31-60	61-90	more than 90		
	(in thousands of Euros)						
Trade receivables	217,705	18,134	8,750	1,962	13,008	(12,931)	246,628
Total	**217,705**	**18,134**	**8,750**	**1,962**	**13,008**	**(12,931)**	**246,628**

3. FINANCIAL RISK MANAGEMENT (Continued)

	December 31, 2016						
	Falling due	Past-due				Provision for doubtful debts	Total
		0-30	31-60	61-90	more than 90		
	(in thousands of Euros)						
Trade receivables	219,440	17,664	6,746	3,387	15,499	(14,004)	248,732
Total	**219,440**	**17,664**	**6,746**	**3,387**	**15,499**	**(14,004)**	**248,732**

3.3 LIQUIDITY RISK

Liquidity risk concerns the ability to meet obligations arising on financial liabilities. Prudent management of the liquidity risk stemming from the Group's ordinary operating activities entails keeping up sufficient levels of cash holdings, short-term securities and funding available through adequate credit lines. The Group must have adequate stand-by credit lines in order to finalize contracts and collect invoices, to an extent that ensures financial flexibility. Management monitors the projections of cash turnover, including undrawn credit lines, and available cash and cash equivalents, on the basis of expected cash flows.

At December 31, 2017, the Group had stipulated credit lines of Euro 304,988 thousand, of which Euro 101,879 thousand was undrawn.

The following tables set forth a maturity analysis of the financial liabilities at December 31, 2017 and 2016. The maturities are based on the period from the reporting date to the contractual maturity date of the obligations.

	December 31, 2017					
	On demand	Within 1 year	From 1 to 5 years	Due after 5 years	Total	Total as per Financial statements
	(in thousands of Euros)					
Currency derivatives		(473)	—	—	**(473)**	**(473)**
Finance leases		(426)	(1,699)	(3,361)	**(5,486)**	**(3,980)**
Other financing		(45,166)	(56,184)	—	**(101,350)**	**(100,355)**
Trade payables	—	(221,773)	—	—	**(221,773)**	**(221,773)**
Total	**—**	**(267,838)**	**(57,883)**	**(3,361)**	**(329,082)**	**(326,581)**

	December 31, 2016					
	On demand	Within 1 year	From 1 to 5 years	Due after 5 years	Total	Total as per Financial statements
	(in thousands of Euros)					
Currency derivatives		1,168	—	—	**1,168**	**1,168**
Finance leases		(2,235)	(1,701)	(3,785)	**(7,721)**	**(5,998)**
Other financing		(55,384)	(80,859)	—	**(136,243)**	**(134,241)**
Trade payables	—	(211,259)	—	—	**(211,259)**	**(211,259)**
Total	**—**	**(267,710)**	**(82,560)**	**(3,785)**	**(354,055)**	**(350,330)**

3.4 CAPITAL RISK

The Group's objective in the area of capital risk management is primarily to maintain the going concern status in order to assure returns to shareholders and benefits to other stakeholders. The Group also has the objective of maintaining an optimal capital structure in order to reduce the cost of debt.

The Group monitors equity through the ratio of net financial debt to net invested capital ("gearing ratio"). Net invested capital is calculated as the sum of equity and net financial debt.

3. FINANCIAL RISK MANAGEMENT (Continued)

Below is the breakdown of the Group's net financial debt at December 31, 2017 and 2016, determined in accordance with Committee of European Securities Regulators (CESR) Recommendation no. 05/054b, Paragraph 127, for implementation of EC Regulation no. 809/2004, and the gearing ratios at December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
	(in thousands of Euros)	
A Cash holdings	180	147
B Other current holdings	44,519	33,919
C Securities held for trading	—	—
D Cash and cash equivalents (A+B+C)	**44,699**	**34,066**
E Non-current financial receivables	**—**	**81**
F Current financial receivables	**24,178**	**6,029**
G Current financial debt	(58,030)	(28,425)
H Current portion of non-current financial debt	(44,792)	(56,375)
I Other current financial debt	(547)	(429)
J Current financial indebtedness (G+H+I)	**(103,369)**	**(85,229)**
K Net current financial indebtedness	**(34,492)**	**(45,053)**
L Non-current financial debt	(59,543)	(83,864)
M Bonds issued	—	—
N Other non-current financial debt	—	—
O Non-current financial indebtedness (L+M+N)	**(59,543)**	**(83,864)**
P Net financial indebtedness (K+O)	**(94,035)**	**(128,917)**
Net invested working capital	538,835	549,948
Gearing ratio	17.45%	23.44%

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table presents the financial assets and liabilities aggregated by category with their fair values stated.

	December 31, 2017	
	Fair value through profit or loss	Loans and receivables
	(in thousands of Euros)	
Financial assets	—	—
Non-current assets	**—**	**—**
Trade receivables	—	246,628
Financial assets	—	24,104
Cash and cash equivalents	—	44,699
Current derivatives	74	—
Current assets	**74**	**315,431**
Non-current amounts due to banks and other lenders	—	59,543
Non-current liabilities	**—**	**59,543**
Trade payables	—	221,773
Current amounts due to banks and other lenders	—	102,822
Current derivatives	547	—
Current liabilities	**547**	**324,595**

	December 31, 2016	
	Fair value through profit or loss	Loans and receivables
	(in thousands of Euros)	
Financial assets	—	81
Non-current assets	**—**	**81**
Trade receivables	—	248,732
Financial assets	—	4,432
Cash and cash equivalents	—	34,066
Current derivatives	1,597	—
Current assets	**1,597**	**287,230**
Non-current amounts due to banks and other lenders	—	83,864
Non-current liabilities	**—**	**83,864**
Trade payables	—	211,259
Current amounts due to banks and other lenders	—	84,800
Current derivatives	429	—
Current liabilities	**429**	**296,059**

The fair value of the derivatives was determined using valuation techniques based on observable inputs in active markets (Level 2).

4. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting policies and methodologies that, in some cases, depend upon difficult or subjective assessments and estimates based on experience and assumptions deemed reasonable and realistic given the specific circumstances involved.

4. USE OF ESTIMATES AND ASSUMPTIONS (Continued)

Application of such estimates and assumptions affects the figures reported in the Consolidated Financial Statements, including the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the related explanatory notes. The final results of the items for which such estimates and assumptions have been made may vary from those reported in the financial statements that show the effects of the occurrence of the event subject to the estimate, due to the uncertainty that characterizes the assumptions and the conditions on which the estimates were based.

The following is a brief description of the accounting policies that entail the greatest extent of management subjectivity in calculating estimates, and for which a change in the underlying conditions and assumptions could have a significant impact on the consolidated financial information.

(a) Provision for doubtful debts

The provision for doubtful debts reflects management's best estimate of the losses on the total trade receivables. The estimate is based on the Group's expectations of losses, determined according to past experience with similar receivables, current and previous past-due statistics, careful monitoring of credit quality and projections of economic and market conditions.

(b) Provision for inventory obsolescence

The provision for inventory obsolescence reflects management's best estimate of the losses expected by the Group, determined on the basis of past experience, past trends and expected market trends.

(c) Income taxes

Deferred tax assets are recognized on the basis of expectations of future earnings. The assessment of expected earnings for the purpose of recognizing deferred taxes depends on factors that may vary over time and may have a significant impact on the measurement of deferred tax assets.

(d) Provision for warranty claims

The provision recognized for product warranty claims represents management's best estimate at the reporting date. The estimate entails making assumptions that depend on factors that may vary over time and may have a significant impact with respect to the current estimates made by management for the preparation of the Group's financial statements.

(e) Goodwill and fixed assets

Goodwill and fixed assets recognized in the Consolidated Financial Statements are tested for impairment by calculating the value in use of the cash generating units ("CGU") to which goodwill has been allocated. Using different methods for the different business segments, the Fedrigoni Group conducted testing in which goodwill was allocated to a group of CGU that benefit from the synergies of the specific business combination (in accordance with IAS 36, paragraph 80).

The CGU/groups of CGU were identified, consistently with the Group's organizational and business structure, as uniform combinations able to generate cash flows independently from the continuing use of the assets allocated to them; the structures were grouped together at a regional level to identify the benefits deriving from the synergies.

Value in use was measured as the present value of the estimated future cash flows for each CGU in its current condition, excluding estimated future cash flows that could derive from future restructuring plans or other structural changes.

The Discounted Cash Flow (DCF) model was used, which requires future cash flows to be discounted with a risk-adjusted discount rate.

4. USE OF ESTIMATES AND ASSUMPTIONS (Continued)

More information is reported in the Notes on impairment losses and intangible assets.

The 2018-2021 business plan prepared by the Group's management on the basis of the 2018-2020 business plans prepared by the subsidiaries' management and approved by the Group's management, used for the impairment testing, is based on variables controllable by the Group's management and theoretical changes in exogenous variables not directly controllable or manageable by the Group's management.

If the main estimates and assumptions used to prepare the business plans should change, the value in use and the calculation of the recoverable value of the assets could change. Therefore, the Group is not able to assure that the assets disclosed in the financial statements at December 31, 2017 will not suffer an impairment loss in the future.

5. SEGMENT REPORTING

The criteria used to identify segments are consistent with the way in which the Group is managed. The division into segments for reporting purposes corresponds to the structure of the reports periodically examined by management.

The Fedrigoni Group's operations are split into two dedicated segments: Paper and Security, and Converting (self-adhesive products).

The Group's management evaluates the performance these segments, using the following as indicators:

- Adjusted EBITDA;
- revenues by geographical segment, on the basis of where the products are sold, not where the billing company's office is located;
- investments in property, plant and equipment.

5. SEGMENT REPORTING (Continued)

The following tables break down Adjusted EBITDA by segment, reconciled with the Group net profit.

2017:

	Year ended December 31, 2017				
	Paper and Security	Converting	Intercompany eliminations	Other	Total
	(in thousands of Euros)				
Revenues from sales					
to third parties	733,998	347,766	—	—	1,081,765
to other Group companies	26,023	2,833	(28,856)	—	—
Total sales revenues	760,021	350,600	(28,856)		1,081,765
Other operating income	25,717	1,619	(665)	—	26,671
Operating expenses	(673,000)	(321,709)	29,563	(2,003)	(967,149)
Earthquake expenses	1,673	—	—	—	1,673
Other non-recurring expenses	6,498	—	—	—	6,498
Income from cancellation of surcharge on self-consumed energy	(2,021)	—	—	—	(2,021)
Earthquake insurance refund income	(13,070)	—	—	—	(13,070)
Adjusted EBITDA(*)	**105,818**	**30,510**	**41**	**(2,003)**	**134,367**
Earthquake expenses	(1,673)	—	—	—	(1,673)
Other non-recurring expenses	(6,498)	—	—	—	(6,498)
Income from cancellation of surcharge on self-consumed energy	2,021	—	—	—	2,021
Earthquake insurance refund income	13,070	—	—	—	13,070
Depreciation, amortization and impairment losses					(38,897)
Operating income					**102,390**
Income from equity-accounted investments in associates					33
Financial income					13,031
Finance costs					(23,678)
Profit before tax					**91,776**
Income taxes					(19,434)
Net profit					**72,342**

5. SEGMENT REPORTING (Continued)

2016:

	Year ended December 31, 2016				
	Paper and Security	Converting	Intercompany eliminations	Other	Total
	(in thousands of Euros)				
Revenues from sales					
to third parties	732,745	321,889	—	—	1,054,634
to other Group companies	31,040	7,121	(38,161)	—	—
Total sales revenues	763,785	329,010	(38,161)	—	1,054,634
Other operating income	7,696	2,267	(571)	—	9,392
Operating expenses	(664,888)	(296,401)	38,825	(2,099)	(924,563)
Earthquake expenses	1,439	—	—	—	1,439
Non-recurring expenses from white certificates	1,860	—	—	—	1,860
Earthquake insurance refund income	(2,000)	—	—	—	(2,000)
Adjusted EBITDA(*)	**107,892**	**34,876**	**93**	**(2,099)**	**140,762**
Earthquake expenses	(1,439)	—	—	—	(1,439)
Non-recurring expenses from white certificates	(1,860)	—	—	—	(1,860)
Earthquake insurance refund income	2,000	—	—	—	2,000
Depreciation, amortization and impairment losses					(43,288)
Operating income					**96,175**
Income from equity-accounted investments in associates					130
Financial income					17,169
Finance costs					(19,868)
Profit before tax					**93,606**
Income taxes					(30,076)
Net profit					**63,530**

(*) Adjusted EBITDA is defined by the Group as Net profit before income taxes, finance costs, financial income, income from equity-accounted investments in associates, depreciation, amortization, impairment losses, and any non-recurring income and costs. Adjusted EBITDA is not identified as an accounting measurement in IFRS and should therefore not be considered as alternative to the disclosures provided in the financial statements for the purpose of assessing the Group's performance. The Company believes that Adjusted EBITDA is an important variable for evaluating the Group's performance, allowing it to be monitored in a more analytical fashion. Because this information is not a measurement governed by the accounting standards followed in the Group's financial statements, the criteria used to determine it may not be consistent with those used by other groups and it should therefore not be compared with similar figures presented by such groups.

Shared unallocated costs ("Other") are a marginal amount referring to the Group's operating structure. Each Segment has a complete and independent structure, able to fulfill its own functions. Most eliminations ("intercompany eliminations" in the tables above) refer to inter-Segment margins eliminated during the aggregation phase. Transactions between the Segments are conducted at arm's length.

With respect to the year ended December 31, 2017, "earthquake expenses" refers to costs incurred in 2017 in relation to the earthquake that hit the Marches region in the autumn of 2016, recognized in the income statement. "Earthquake insurance refund income" refers to the balance of compensation received in 2017 from the insurance company for damages caused by the earthquake. "Other non-recurring expenses" regard the write-off of raw materials and semi-finished goods due to the cancellation of an important order in the Security segment.

"Income from cancellation of surcharge on self-consumed energy" is attributable to the repeal of Legislative Decree 244/2016, converted into Law 19/2017. It referred to a surcharge on a component of electricity costs

5. SEGMENT REPORTING (Continued)

affecting Italian-based energy-intensive businesses. The repeal resulted in the recognition as other operating income of the previous years' liability for the charge on self-consumed energy.

Revenues are broken down below by geographical area:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Italy	327,710	314,955
Rest of Europe	411,748	394,358
Rest of world	342,307	345,321
Total	**1,081,765**	**1,054,634**

No single customer accounts for more than 10% of total revenues.

Non-current assets are broken down below by geographical area:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Italy	247,429	244,135
Rest of Europe	34,849	36,292
Rest of world	133,268	135,463
Total	**415,546**	**415,890**

Below is the breakdown by Segment of the investments in property, plant and equipment:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Paper and Security Segment	48,089	36,189
Converting Segment	5,341	6,308
Total	**53,430**	**42,497**

6. Property, plant and equipment

The changes in this item are detailed below.

	Land and buildings	Plant and machinery	Equipment	Other fixed assets	Work in progress and advances	Total
			(in thousands of Euros)			
Balance at January 1, 2016						
—Historical cost	224,574	623,475	18,484	18,879	3,771	889,183
—Accumulated depreciation	(85,839)	(474,773)	(12,553)	(15,150)	—	(588,315)
Net value	**138,735**	**148,702**	**5,931**	**3,730**	**3,771**	**300,868**
Changes:						
—Investments	3,131	21,588	1,813	1,155	14,810	42,497
—Disposals	(28)	(983)	(1)	(50)	—	(1,062)
—Depreciation	(5,922)	(26,222)	(1,203)	(1,010)	—	(34,357)
—Business combinations	—	—	—	2	—	2
—Impairment losses	(232)	(1,896)	—	—	(1,691)	(3,819)
—Exchange differences	2,647	5,640	16	139	21	8,463
—Reclassifications	339	7,321	13	196	(7,869)	—
Total changes	**(65)**	**5,448**	**638**	**432**	**5,271**	**11,724**
Balance at December 31, 2016	**138,670**	**154,150**	**6,569**	**4,161**	**9,042**	**312,592**
Balance at January 1, 2017						
Of which:						
—Historical cost	231,743	657,810	19,305	20,031	9,042	937,931
—Accumulated depreciation	(93,073)	(503,660)	(12,736)	(15,870)	—	(625,339)
Net value	**138,670**	**154,150**	**6,569**	**4,161**	**9,042**	**312,592**
Changes:						
—Investments	11,301	21,207	527	776	19,619	53,430
—Disposals	(1)	(38)	(1)	(15)	—	(55)
—Depreciation	(6,021)	(25,682)	(1,301)	(1,020)	—	(34,024)
—Exchange differences	(1,995)	(4,657)	(8)	(163)	(716)	(7,539)
—Reclassifications	(8,579)	8,214	2	82	(8,534)	(8,815)
Total changes	**(5,295)**	**(956)**	**(781)**	**(340)**	**10,369**	**2,997**
Balance at December 31, 2017	**133,375**	**153,194**	**5,788**	**3,821**	**19,411**	**315,589**
Of which:						
—Historical cost	228,400	675,092	19,602	19,953	19,411	962,458
—Accumulated depreciation	(95,025)	(521,898)	(13,814)	(16,132)	—	(646,869)
Net value	**133,375**	**153,194**	**5,788**	**3,821**	**19,411**	**315,589**

The following table presents the net value of assets under finance leases at the respective reporting dates.

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Land and buildings	4,505	15,898
Plant and machinery	—	2,021
Total(*)	**4,505**	**17,919**

(*) refers to carrying amount of assets under finance leases still in effect.

6. Property, plant and equipment (Continued)

Cash flows relating to assets under finance leases are as follows:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Minimum lease payments due		
Within 12 months	426	2,235
In 1 to 5 years	1,699	1,701
After 5 years	3,361	3,785
Future finance costs	(1,506)	(1,723)
Present value of lease obligation	**3,980**	**5,998**

In the year ended December 31, 2017 the Group made new investments of Euro 53,430 thousand, mainly for: *i)* expansion of the Paper and Security Segment equipment in order to boost production capacity; *ii)* enhancement of the installation capacity in the Converting segment; *iii)* a new winding machine at the Arconvert S.p.A. plant (Converting); *iv)* renovation of the Pioraco plant, which had been damaged in the autumn 2016 earthquake. Such investments accounted for Euro 16,418 thousand, including Euro 8,405 thousand recognized as "work in progress and advances".

Work in progress and advances, in addition to the investments referred to above, consist of the costs incurred for equipment not used yet and advances granted to suppliers.

Reclassifications, totaling Euro 8,815 thousand, refer to buildings reclassified as non-current assets held for sale, as explained subsequently in these Notes.

At December 31, 2017, excluding the assets under finance leases, no property, plant or equipment was put up as collateral on loans received by the Group.

7. Intangible assets

The changes in this item are detailed below.

	Patent and intellectual property rights	Concessions, licenses and trademarks	Other intangible assets	Goodwill	Work in progress and advances	Total
	(in thousands of Euros)					
Balance at January 1, 2016	**2,059**	**8,202**	**23,103**	**30,924**	**375**	**64,663**
Changes:						
—Investments	1,278	269	—	—	354	1,901
—Disposals	—	—	—	—	—	—
—Business combinations	—	—	369	—	—	369
—Amortization	(1,003)	(797)	(3,014)	—	—	(4,814)
—Reclassifications	343	—	—	—	(365)	(22)
—Exchange differences	28	668	1,739	4,334	(10)	6,759
Total changes	**646**	**140**	**(906)**	**4,334**	**(21)**	**4,193**
Balance at December 31, 2016	**2,705**	**8,342**	**22,197**	**35,258**	**354**	**68,856**
Balance at January 1, 2017	**2,705**	**8,342**	**22,197**	**35,258**	**354**	**68,856**
Changes:						
—Investments	849	221	8	—	9	1,087
—Disposals	—	(231)	—	—	—	(231)
—Amortization	(1,101)	(838)	(2,896)	—	—	(4,835)
—Reclassifications	354	8	(8)	—	(354)	—
—Exchange differences	(90)	(985)	(2,475)	(4,556)	—	(8,106)
Total changes	**12**	**(1,825)**	**(5,371)**	**(4,556)**	**(345)**	**(12,085)**
Balance at December 31, 2017	**2,717**	**6,517**	**16,826**	**30,702**	**9**	**56,771**

The investments made in intangible assets in the year ended December 31, 2017 amount to Euro 1,087 thousand, and consist mostly of external costs incurred to purchase software and costs incurred to customize the software.

Goodwill at December 31, 2017 and at December 31, 2016 is set forth by Segment below:

	Dec. 31, 2017	%	Dec. 31, 2016	%
	(in thousands of Euros)			
Converting	4,762	16%	5,418	15%
Paper and Security	25,940	84%	29,840	85%
Total	**30,702**	**100%**	**35,258**	**100%**

Impairment testing

As required by IAS 36, the Fedrigoni Group tested the carrying amounts of the tangible and intangible assets recognized in its Consolidated Financial Statements at December 31, 2017 with respect to their recoverable amounts. Goodwill is tested for impairment at least annually, even when no indications of impairment losses are present.

In accordance with IAS 36, the Fedrigoni Group identified the CGU representing the smallest identifiable group of assets able to generate largely independent cash inflows within the Consolidated Financial Statements. CGU were identified by taking into account the organizational structure, the type of business and the methods with which control is exercised over the operation of the CGU.

The CGU identified by the Group to monitor goodwill operate and/or coincide with the legal entities to which the goodwill was allocated upon acquisition, since they benefit from the synergies of the business combination.

7. Intangible assets (Continued)

The CGU in which goodwill is recognized/allocated, on which the impairment testing was based, are as follows:

- Euro 16,075 thousand—Brazil Paper and Security CGU;
- Euro 9,865 thousand—U.S.A. Paper and Security CGU;
- Euro 4,762 thousand—U.S.A. Converting CGU.

The assets were tested for impairment by comparing the carrying amount attributed to the CGU, including goodwill, with its recoverable amount (value in use). The value in use is the present value of the estimated future cash flows to be derived from continuing use of the assets referring to the cash generating units and the terminal value allocated to them.

In conducting the impairment test, the Fedrigoni Group used the most recent financial budgets/forecasts for the period from 2018 to 2021 (as described in the section on the use of estimates), assuming that its assumptions were reliable and its budget targets would be reached. In preparing its projections, management made assumptions based on past experience and expectations of the development of the business segments in which the Group operates.

The terminal value was calculating by using a growth (G) rate of 2.55% for the CGU operating in Brazil and 1.85% for the CGU operating in the U.S.A., in line with the average growth rate of the countries in which the CGUs operate.

The discount rate used (WACC) reflects current market assessments of the time value of money and the risks specific to the asset. The discount rate for the assets in Brazil, net of taxes, is 12.98%, and for the assets in the U.S.A. is 6.15%, respectively corresponding to the pre-tax rates of 19.7% and 8.4%.

No impairment loss emerged from the impairment test conducted.

Since the recoverable amount is determined on the basis of estimates, the Group is not able to assure that goodwill will not suffer an impairment loss in future periods.

In addition, the Group performed sensitivity analysis using deteriorated variables of the impairment test, WAAC and G rate. The discount rate was raised by one percent, and the G rate of the terminal value was reduced by one percent. No impairment loss emerged, even in deteriorating market conditions, from the sensitivity analysis conducted for the Brazil Paper and Security CGU and the U.S.A. Converting CGU. However, the U.S.A. Paper and Security CGU did indicate potential impairment losses in the case of the combined effect of the variables submitted to the sensitivity analysis.

8. Investment property

The changes in this item are detailed below.

	Land and buildings
	(in thousands of Euros)
Balance at January 1, 2016	**1,010**
Changes:	
—Reclassification of accumulated depreciation	(188)
—Writedown	(260)
—Depreciation	(38)
Total changes	**(486)**
Balance at December 31, 2016	**524**
Of which:	
—Historical cost	1,168
—Accumulated depreciation	(644)
Net value	**524**
Balance at January 1, 2017	524
Changes:	
—Depreciation	(38)
Total changes	**(38)**
Balance at December 31, 2017	**486**
Of which:	
—Historical cost	1,168
—Accumulated depreciation	(682)
Net value	**486**

The reduction of the 2016 historical cost is attributable to the writedown of buildings damaged by the earthquake.

9. Equity-accounted investments in associates

This item (Euro 2,299 thousand) represents the investment in Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l., an entity that produces hydroelectric power, in which the Group owns a 25% stake. At the time of preparation of the Consolidated Financial Statements, the 2017 financial statements of Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l. had not been approved by its Board of Directors yet.

The key financial information relating to the most recent approved financial statements is provided below.

	December 31, 2016
	(in thousands of Euros)
Assets	18,110
Liabilities	7,798
Revenues	3,005

10. Tax credits

This item is set forth below:

	December 31,					
	2017			2016		
	Non-current	Current	Total	Non-current	Current	Total
	(in thousands of Euros)					
Tax credits	1,476	1,011	2,487	3,650	845	4,495
Total	**1,476**	**1,011**	**2,487**	**3,650**	**845**	**4,495**

The non-current tax credits of Euro 1,476 thousand refer to a tax credit emerging on the settlement of an amicable procedure (MAP—Mutual Agreement Procedure) between the Italian government and the French government, regarding a transfer pricing dispute with subsidiary Fedrigoni France S.a.r.l.

The prior year's non-current tax credits of Euro 3,650 thousand referred to a corporate income tax ("IRES") refund claim regarding years 2007 to 2011 for regional business tax ("IRAP") paid on personnel costs and not deducted for IRES purposes pursuant to Law Decree n. 201, Article 2, paragraph 1 *quarter* of December 6, 2011 and Italian Revenue Agency Director Provision n. 2012/140973 of December 17, 2012. The amount was fully refunded in 2017.

The current tax credits consist mainly of the remaining portion of a tax credit relating to a tax incentive on investments (under the "Tremonti-*quater*" law).

11. Deferred tax assets and liabilities

This item is detailed below:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Deferred tax assets		
Deferred tax assets	26,806	22,935
Total deferred tax assets	**26,806**	**22,935**
Deferred tax liabilities		
Deferred tax liabilities	(21,564)	(24,347)
Total deferred tax liabilities	**(21,564)**	**(24,347)**
Total net deferred tax assets/(liabilities)	**5,242**	**(1,412)**

11. Deferred tax assets and liabilities (Continued)

The composition of these balances is shown below:

	Dec. 31, 2016	Effect on Income Statement	Effect of changes in foreign exchange rates	Reclassifications	Effect on Statement of Comprehensive Income	Dec. 31, 2017
			(in thousands of Euros)			
Elimination of capital gains on intercompany sales of trademarks and land	2,417	(292)	—	—	—	2,125
Inventory valuation	6,498	1,815	(144)	—	—	8,169
Valuation of trade receivables	2,293	(154)	(35)	—	—	2,104
Provisions for risks and charges	5,549	2,479	(172)	—	—	7,856
Difference between fiscal and statutory values of tangible and intangible assets	2,651	(260)	(88)	(132)	—	2,171
Tax losses	1,537	(59)	(171)	—	—	1,307
Other	1,990	1,407	(323)	—	—	3,074
Total deferred tax assets	**22,935**	**4,936**	**(933)**	**(132)**	**—**	**26,806**

	Dec. 31, 2016	Effect on Income Statement	Effect of changes in foreign exchange rates	Reclassifications	Effect on Statement of Comprehensive Income	Dec. 31, 2017
			(in thousands of Euros)			
Valuation of tangible and intangible assets	13,562	9	(1,315)	(858)	—	11,398
Effect of leaseback transaction	8,551	(401)	—	—	—	8,150
Recognition of finance leases	2,605	(199)	—	—	—	2,406
Actualization of employee benefits	(530)	3	—	—	34	(493)
Actualization of social security liabilities	93	(27)	—	—	—	66
Exchange differences and other	60	(26)	—	—	—	34
Derivative fair values	6	(3)	—	—	—	3
Total deferred tax liabilities	**24,347**	**(644)**	**(1,315)**	**(858)**	**34**	**21,564**

At December 31, 2017 the tax-deferred reserves were Euro 20,050 thousand, which in the event of distribution becomes taxable income. No distribution or related use of such reserves is foreseen that could result in taxation, so corresponding deferred tax liabilities were not accounted for in the financial statements.

Deferred tax assets were not recognized for the tax losses of Euro 27,412 thousand at December 31, 2017 (Euro 24,916 thousand at December 31, 2016), accrued by some foreign companies, because the availability of future profits to enable their recovery was not deemed probable.

12. Trade receivables

	December 31, 2017	December 31, 2016
	(in thousands of Euros)	
Gross trade receivables	259,559	262,736
Provision for doubtful debts	(12,931)	(14,004)
Net trade receivables	**246,628**	**248,732**

12. Trade receivables (Continued)

The table below presents the changes in the provision for doubtful debts:

	December 31,	
	2017	2016
	(in thousands of Euros)	
Balance at beginning of the year	**14,004**	**13,575**
Changes:		
—Charge	2,273	3,152
—Use	(2,967)	(3,121)
—Exchange differences	(379)	398
Total changes	**(1,073)**	**429**
Balance at end of the year	**12,931**	**14,004**

13. Other assets

The other assets are stated in the financial statements net of the related provisions:

	December 31,	
	2017	2016
	(in thousands of Euros)	
Other assets—gross	29,232	25,043
Provision for other doubtful debts	(1,631)	(812)
Other assets—net	**27,601**	**24,231**

The item is detailed below:

	December 31,	
	2017	2016
	(in thousands of Euros)	
Other assets—net		
—Sundry receivables	2,504	4,527
—Sundry tax credits	827	680
—Prepaid expenses and accrued income	2,201	2,596
—VAT credits	15,770	12,055
—Grants receivable	446	483
—Security deposits	3,276	3,484
—Due from social security entities	321	337
—Due from employees	2,256	69
Total other assets	**27,601**	**24,231**
Of which: non-current	12,120	4,986

The largest component of sundry receivables consists of advances to suppliers (Euro 1,288 thousand). The decrease from the prior year is attributable to the fact that the 2016 sundry receivables included Euro 1,006 thousand deriving from the sale of energy-efficiency titles ("white") certificates, whereas those receivables at December 31, 2017 were just Euro 188 thousand.

The VAT credits mainly relate to subsidiary Fedrigoni Brasil Papeis Ltda (Euro 15,185 thousand). In this respect, in 2017 Fedrigoni Brasil Papeis Ltda engaged a consulting firm to provide assistance with the submission of a VAT refund claim to the Secretariat of Finance of the State of Sao Paolo (SEFAZ). In any event, the agreement with the tax authorities will provide for a BRL 3,200 thousand discount of the VAT credits. Fedrigoni Brasil Papeis Ltda wrote down its VAT credits by such amount, equivalent to Euro 810 thousand.

13. Other assets (Continued)

The amount due from employees includes the effects of the deferral of social security contributions and income taxes pursuant to the relief granted to those affected by the earthquake, for whom the Company takes on the role of withholding agent. The increase is due to the fact that the measures taken following the 2016 earthquake in the Marche region were added to those still in effect for the 1997 earthquake.

The table below presents the changes in the provision for other doubtful debts:

	December 31, 2017	December 31, 2016
	(in thousands of Euros)	
Balance at beginning of the year	**812**	**127**
Changes:		
—Charge	920	698
—Use	(12)	(13)
—Exchange differences	(89)	—
Total changes	**819**	**685**
Balance at end of the year	**1,631**	**812**

The increase in the provision for other doubtful debts refers primarily (Euro 810 thousand) to the amount charged for the aforementioned recovery of the Brazilian subsidiary's VAT credits.

14. Inventories

This item is detailed below:

	December 31, 2017	December 31, 2016
	(in thousands of Euros)	
Raw materials	73,447	75,253
Work in progress and semi-finished goods	30,622	31,496
Finished products	94,141	90,976
Total	**198,210**	**197,725**

Inventories are shown net of the provision for inventory obsolescence as detailed below:

	Provision for raw material obsolescence	Provision for obsolescence of semi-finished goods and finished products	Total
		(in thousands of Euros)	
December 31, 2015	**4,895**	**9,021**	**13,916**
Charge	975	1,380	2,355
Use	(370)	(1,069)	(1,439)
Exchange differences	219	236	455
December 31, 2016	**5,719**	**9,568**	**15,287**
Charge	6,229	2,807	9,036
Use	(609)	(1,140)	(1,749)
Exchange differences	(183)	(177)	(360)
December 31, 2017	**11,156**	**11,058**	**22,214**

The increase in the provision is due primarily to itemized writedowns made as a result of the cancellation of an important order in the Paper and Security Segment.

No inventories were put up as collateral to guarantee loans received by the Group.

15. Financial assets

This item is detailed below:

	December 31,					
	2017			2016		
	Non-current	Current	Total	Non-current	Current	Total
	(in thousands of Euros)					
Financial assets	—	24,104	24,104	81	4,432	4,513
Total	**—**	**24,104**	**24,104**	**81**	**4,432**	**4,513**

The current financial assets refer to the amount due from the Parent company deriving from an intercompany cash pool account. The non-current financial assets of the prior year referred to a loan bearing 2% interest granted to associate Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l., which was repaid in 2017.

16. Cash and cash equivalents

This item is detailed below:

	December 31,	
	2017	2016
	(in thousands of Euros)	
Bank deposits	44,517	33,890
Checks outstanding	2	29
Cash and cash equivalents on hand	180	147
Total	**44,699**	**34,066**

There are no restrictions on the use of the cash and cash equivalents balance.

17. Derivatives

Information on derivatives is provided in Note 3.1.

18. Non-current assets held for sale and liabilities associated with assets held for sale

"Non-current assets held for sale" as at December 31, 2017 amounting to Euro 8,815 thousand refer to two building complexes of the Paper and Security Segment intended to be sold in the first half of 2018 to the existing controlling shareholder. The associated liabilities amounting to Euro 726 thousand refer to the related deferred tax liabilities.

19. Equity

The equity at December 31, 2017 is set forth below:

	December 31, 2017
	(in thousands of Euros)
Share capital	40,000
Share premium reserve	51,829
Legal reserve	8,000
Reserve for fair value adjustments to employee benefits	(2,800)
Other reserves	258,732
Retained earnings	89,040
Equity	**444,801**

19. Equity (Continued)

The share capital was Euro 40,000,220 at December 31, 2017, consisting of 80,000,440 ordinary shares with a par value of Euro 0.50 per share. Other reserves include an extraordinary reserve for Euro 200,540 thousand, revaluation reserves for Euro 20,050 thousand and a merger reserve for Euro 3,705 thousand.

20. Due to banks and other lenders

This item is detailed below:

	December 31, 2017							
	Interest rate	Current portion	Portion due after 12 months					Total
			2019	2020	2021	2022	Afterward	
			(in thousands of Euros)					
Current financial debt	Variable	58,030	—	—	—	—	—	**58,030**
Finance leases	Variable	224	234	247	260	273	2,742	**3,980**
Other financing	Variable	44,568	42,512	10,774	2,501	—	—	**100,355**
Total		**102,822**	**42,746**	**11,021**	**2,761**	**273**	**2,742**	**162,365**

	December 31, 2016							
	Interest rate	Current portion	Portion due after 12 months					Total
			2018	2019	2020	2021	Afterward	
			(in thousands of Euros)					
Current financial debt	Variable	28,425	—	—	—	—	—	**28,425**
Finance leases	Variable	2,018	224	234	247	260	3,015	**5,998**
Other financing	Variable	54,357	44,093	22,513	10,775	2,503	—	**134,241**
Total		**84,800**	**44,317**	**22,747**	**11,022**	**2,763**	**3,015**	**168,664**

Current financial debt

At December 31, 2017, the current financial debt was Euro 58,030 thousand (Euro 28,425 thousand at December 31, 2016). The amount refers to bank accounts and financial instruments used by Group companies to manage short-term cash flow requirements.

Finance leases

The amount of Euro 3,980 thousand at December 31, 2017 (Euro 5,998 thousand at December 31, 2016) represents the remaining balance at the reporting date on finance leases stipulated by the Group.

Other financing

The amount of Euro 100,355 thousand at December 31, 2017 (Euro 134,241 thousand at December 31, 2016) represents the remaining balance at the reporting date on loans granted by banks to Group companies.

20. Due to banks and other lenders (Continued)

The changes in the other financing granted to Fedrigoni S.p.A. during the year were as follows:

	Dec. 31, 2016	Increases	Repayments	Dec. 31, 2017	Maturity
			(in thousands of Euros)		
Credito Emiliano	3,369	—	(3,369)	—	Jan. 11, 2017
Banca Popolare di Verona	10,000	—	—	10,000	July 31, 2019
Banca Popolare di Verona	9,375	—	(3,750)	5,625	June 30, 2019
Unicredit	15,000	—	(10,000)	5,000	May 20, 2018
Cariveneto	14,000	—	(4,000)	10,000	May 18, 2020
Barclays Bank	20,000	—	(10,000)	10,000	Sept. 16, 2018
Banca Sella	239	—	(129)	110	Oct. 31, 2018
Banca Sella	3,226	—	(1,429)	1,798	March 31, 2019
Banca BNL	—	20,000	—	20,000	April 29, 2019
Banca BNL	16,667	—	(13,333)	3,333	March 31, 2018
MPS	15,000	—	(3,750)	11,250	Dec. 31, 2020
Credito Valtellinese	6,394	—	(3,641)	2,753	July 5, 2018
Factor GE Capital	—	16,858	(16,430)	428	N/A
UBI	20,000	—	—	20,000	Feb. 26, 2020
	133,270	**36,858**	**(69,830)**	**100,298**	

The variable interest rate charged on the financing is the 3m Euribor plus a spread ranging from 60 to 140 bps.

For some loans, the Group is required under covenants to maintain the following financial ratios:

	Covenants
Banca Popolare di Verona	Debt/EBITDA < 3.00;<3.60
Banca Popolare di Verona	Debt/EBITDA < 3.00;<3.60
Unicredit	Debt/EBITDA < 2.50; Debt/Equity < 1.00; EBITDA/Interest expense > 9
Cariveneto	Debt/EBITDA < 2.00; Debt/Equity < 1.00
Barclays Bank	Debt/EBITDA < 2.50; Debt/Equity < 1.00
Banca BNL	Debt/EBITDA < 2.50; Debt/Equity < 1.00
MPS	Debt/EBITDA < 2.50; Debt/Equity < 1.00
UBI	Debt/EBITDA < 2.00; Debt/Equity < 1.00

The banks require all the ratios to be calculated from Fedrigoni S.p.A.'s IFRS Consolidated Financial Statements.

At December 31, 2017 those ratios were within the acceptable limits.

The following table show changes in current and non-current due to banks and other lenders liabilities (including cash and non-cash changes):

	January 1, 2017	Net cash flows	Change in translation reserve	December 31, 2017
		(in thousands of Euros)		
Financial debt	28,425	29,862	(257)	58,030
Finance leases	5,998	(2,016)	(2)	3,980
Other financing	134,241	(33,886)	—	100,355
Due to banks and other lenders (current and non-current)	**168,664**	**(6,040)**	**(259)**	**162,365**

21. Employee benefits

The changes in this item are presented below:

	December 31, 2017	December 31, 2016
	(in thousands of Euros)	
Opening balance	19,235	18,853
Interest costs	250	377
Actuarial gains/(losses)	(143)	1,244
Use	(1,380)	(1,239)
Closing balance	**17,962**	**19,235**

The actuarial assumptions used to determine the obligation for employee benefits are detailed below:

	December 31, 2017	December 31, 2016
	(in thousands of Euros)	
Economic assumptions		
Inflation rate	1.5%	1.5%
Discount rate	1.3%	1.3%
Salary increment	3.0%	3.0%
"TFR" (provision for severance indemnities) rate of increase	3.0%	3.0%
Demographic assumptions		
Probability of resignations/dismissals	2.0%	2.0%
Probability of advance payouts	3.0%	3.0%

22. Provisions for risks and charges

This item is detailed below:

	December 31, 2017	December 31, 2016
	(in thousands of Euros)	
Provision for agency termination	2,083	1,892
Provision for environmental risks	1,956	1,074
Provision for sundry risks	26,776	18,555
Total	**30,815**	**21,521**

The changes in this item are presented below:

	December 31, 2017	December 31, 2016
	(in thousands of Euros)	
Opening balance	21,521	12,074
Increases	13,821	9,520
Use	(3,618)	(1,593)
Exchange differences and other changes	(909)	1,520
Closing balance	**30,815**	**21,521**

22. Provisions for risks and charges (Continued)

The provisions for risks and charges are detailed hereunder.

	Dec. 31, 2016	Charge	Use	Exchange differences	Dec. 31, 2017
Provision for agency termination	1,892	242	(51)	—	2,083
Provision for environmental risks	1,074	1,200	(318)	—	1,956
Provisions for litigation risks	3,941	301	(941)	—	3,301
Provisions for warranty claims	8,682	9,937	(1,331)	—	17,288
Provision for exit incentives	—	190	—	—	190
Provision for extraordinary expenses	500	—	(500)	—	—
Other provisions	5,432	1,951	(477)	(909)	5,997
Total sundry risk provisions	**18,555**	**12,379**	**(3,249)**	**(909)**	**26,776**
Total provisions for risks and charges	**21,521**	**13,821**	**(3,618)**	**(909)**	**30,815**

The provision for agency termination represents the estimated liability that is due as benefit for the termination of agency relationship.

The provision for environmental risks refers to outlays that the Group considers necessary to clean up some of the land it owns.

The increase in the sundry risks provisions is due primarily to the charge to the provision for warranty claims, described subsequently.

The provision for sundry risks consists of the following:

- The provision for warranty claims (Euro 17,288 thousand) consists of costs that could be incurred in the event of claims regarding supplies of banknotes, security products and other paper products. The provision decreased by Euro 1,331 thousand in the year due to the settlement of some claims regarding previous periods. In addition to covering specific issues, for which negotiations to settle claims are still in progress, the provision serves to cover costs that are reasonably expected to be incurred, on the basis of past experience, to satisfy the warranty obligations. The annual increase and the overall amount are correlated to the sales volume of security products realized in the past two years, whose segment features greater product complexity and warranty terms that are longer than for normal paper products.
- The provision for extraordinary expenses was set up to cover all expenses connected with the demolition, implementation of security measures and removal phase originating from the earthquake that damaged the Pioraco plant. The entire provision was used during the year.
- Other sundry risks (consisting of the provision for litigation risks of Euro 3,301 thousand and other provisions of Euro 5,997 thousand) refer to liabilities deemed likely to ensue from pending lawsuits, disputes, business arrangements entered into by the Group and other risks, representing a prudent appreciation of the cost estimated at the end of the year. The provision reflects the risk associated with the refund of the amount of white certificates sales received in previous periods. Even if the white certificates, which are recognized for an innovative investment program from which energy savings may derive, are initially considered qualified to produce such savings and are accounted for with inclusion of the energy efficiency title (“TEE”) payments, they can be submitted to review while they are in effect. The provision covers the risk on those projects for which the relevant authorities have reconsidered the previously assigned qualification.

  For some time Fedrigoni S.p.A. has had a dispute with the Italian tax authorities concerning diverging application and payment criteria for electricity consumption taxes. With respect to the dispute regarding years 1993 to 1997, since Fedrigoni S.p.A. considers the tax claims to be unjustified on the basis of both their merits and the law, it filed an appeal with the Italian Supreme Court to overturn the Ancona Appellate Court’s decision with which the lower court denied the previous appeal. Pursuant to that decision, the contested amount of Euro 511 thousand was paid. The Italian tax authorities, which by now consider the tax payment criteria to be definite, served a notice of payment for years 2008 to

22. Provisions for risks and charges (Continued)

2013 regarding electricity consumption at the Rocchetto plant, and another notice of payment for years 2008 to 2012 regarding electricity consumption at the Castelraimondo plant. Fedrigoni S.p.A., which continues to maintain its position based on the groundlessness and illegitimacy of the claims, filed appeals at the Ancona and Macerata Provincial Tax Commissions. In 2014 the Commissions met with each other, and although the Macerata Provincial Tax Commission fully accepted the appeal, the Ancona Provincial Tax Commission accepted only part of it and reduced the penalties imposed considerably, but denied the grounds regarding the calculation of the taxes. The Company, conscious of the validity of its arguments, which are backed up by opinions of external consultants, filed for appeal and opposed the demands of the other party. The Italian tax authorities, encouraged by the new ruling, served notices of payment for 2014, 2015 and 2016 limited however to the portion of consumption of the plant located in the Province of Ancona. Fedrigoni S.p.A. filed an appeal against this claim as well at the Ancona Provincial Tax Commissions. The probable cost of the dispute is included in the provision. In 2007 the Italian Agency for Investment Promotion and Enterprise Development (formerly Sviluppo Italia S.p.A.) served a writ of summons for presumed amounts owed to it as a result of an acquisition in 1984 by Cartiere Miliani Fabriano S.p.A., which has since been absorbed into Fedrigoni S.p.A. The absorbed company appeared before the court to deny the claims and request a conviction for breach of contract with respect to the guarantee obligations included in the acquisition agreement. The provision covers the relevant contingent liabilities.

On March 9, 2014 the Italian tax authorities filed an appeal at the Italian Supreme Court restricted to a residual part of the decision issued by the Marche Regional Tax Commission, which had fully accepted the appeal filed regarding direct taxes of 2000 and 2001. Nevertheless, the Parent company decided to hold out and notified a counterclaim at the Attorney General's Office.

The provision covers other marginal situations involving risk due to the termination of employment contracts.

The provision for sundry risks also includes Euro 5,898 thousand regarding Fedrigoni Brasil Papeis Ltda, and is set up primarily to cover the liabilities deemed probable that could emerge from lawsuits concerning the main Brazilian taxes (IPI, PIS, Cofins and IRPJ) for Euro 2,340 thousand and pending litigation with employees for Euro 3,007 thousand.

23. Trade payables and other liabilities

This item is detailed below:

	December 31,	
	2017	2016
	(in thousands of Euros)	
Trade payables	**221,773**	**211,259**
Other liabilities:		
—Due to employees	16,056	16,815
—Accrued expenses and deferred income	964	956
—Social security	9,309	8,000
—Withholding taxes	4,278	4,461
—Sundry payables	6,699	6,147
—Due to supplementary pension fund	1,450	1,428
—Advances	4,153	315
—VAT due	1,647	1,387
—Due to Directors and Statutory Auditors	1,012	1,237
—Sundry tax liabilities	1,392	2,499
—Tax liabilities from tax deferrals under earthquake relief	2,207	760
Other liabilities	**49,167**	**44,005**
Total	**270,940**	**255,264**
Of which: non-current	*2,000*	*2,743*

The increase in "trade payables" is substantially attributable to the higher purchase cost of fibrous raw materials.

The increase in "advances" refers to advances paid by customers on important orders obtained in South America.

The tax liabilities from tax deferrals under the earthquake relief include Euro 408 thousand regarding the 1997 earthquake and Euro 1,780 thousand regarding the 2016 earthquake, where the deadlines for the payment of employment taxes for which the Company could act as withholding agent were deferred.

In the previous year, the sundry tax liabilities included Euro 2,021 thousand in grid fees on self-consumed energy. It was a surcharge on a component of electricity costs affecting energy-intensive businesses. The surcharge was subsequently eliminated by Legislative Decree 244/2016, converted into Law 19/2017, and accredited to other operating income in the income statement.

24. Current tax liabilities

The decrease in current tax liabilities, which were Euro 4,848 thousand at December 31, 2017 (Euro 12,041 thousand at December 31, 2016), is due principally to the fact that on December 17, 2017 Fedrigoni S.p.A. stipulated a five-year (2015-2019) Patent Box Agreement with the Italian Revenue Agency defining the methods and criteria for calculating tax relief relating to direct use of intellectual property, whereby a total tax benefit of Euro 6,284 thousand was obtained. Moreover, in 2017 the corporate income tax ("IRES") rate was reduced from 27.5% to 24%.

24. Current tax liabilities (Continued)

NOTES TO THE INCOME STATEMENT

25. Revenues from sales

This item is detailed below:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Revenues from sales of products	1,086,093	1,058,204
Awards for customers	(5,659)	(5,292)
Other sales revenues	1,331	1,722
Total	**1,081,765**	**1,054,634**

Sales revenues rose by Euro 27,131 thousand (+2.6%) in 2017 mainly as a result of a better sales mix, particularly in the Paper and Security Segment regarding export markets.

26. Other operating income

This item is detailed below:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Other revenues	8,582	4,095
Sundry non-financial income	1,800	3,914
Contingent gains and unrealized costs	15,418	944
Grants for operating expenses	719	89
Other	152	350
Total	**26,671**	**9,392**

"Other revenues" derive primarily from the sale of electricity by the manufacturing companies (Euro 3,738 thousand) and the sale of white certificates (Euro 2,464 thousand). As reported in note on sundry tax liabilities, other revenues also include Euro 2,021 thousand from the cancellation of grid fees on self-consumed energy.

The decrease in sundry non-financial income is largely (Euro 2,000 thousand) attributable to an advance payment of compensation for earthquake damages paid in the previous year by the insurance company.

The increase in contingent gains regards primarily the remaining balance of Euro 13,070 thousand in insurance compensation received for damages caused by the autumn 2016 earthquake.

27. Cost of materials

This item is detailed below:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Raw material purchases	584,839	549,529
Purchases of ancillary materials and consumables	1,443	1,367
Change in inventories	693	(1,541)
Total	**586,975**	**549,355**

The increase in raw material costs is substantially attributable to the higher average purchase cost of fibrous raw materials.

28. Cost of services

This item is detailed below:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Freight	71,314	70,347
Natural gas	36,937	40,131
Commissions paid	17,755	17,653
Maintenance	9,932	10,818
Use of third-party assets	20,137	18,743
Electricity	6,351	8,282
Consulting services (administrative, legal, tax, technical)	5,716	4,679
Advertising and publicity	8,271	7,148
Outsourced production	3,915	4,815
Insurance	5,372	4,971
Travel expenses	4,187	4,227
Waste disposal	2,520	2,681
Outsourced labor	5,727	5,794
Telephone expenses	1,005	1,094
Water	187	228
Directors and Statutory Auditors	3,726	4,245
Other services	11,201	10,475
Total	**214,253**	**216,331**

The decreases in gas and electricity costs and outsourced production costs are due largely to the interruption of operations at the Pioraco plant following the autumn 2016 earthquake. Operations resumed, although only in part, in January 2018.

"Use of third-party assets" refers mainly to patent rights on security threads. The increase from the previous year is attributable to the sales growth ensuing from the expansion of operations regarding security products at the Bollate (Milan) plant.

29. Cost of personnel

This item is detailed below:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Wages and salaries	111,077	107,330
Social security contributions	30,633	31,038
Annual accrual for defined contribution and defined benefit plans	6,288	5,918
Other costs	4,791	3,796
Total	**152,789**	**148,082**

The increase in the cost of personnel is attributable mainly to the Brazilian subsidiary, due in part to a change in the collective bargaining agreement and in part to inflation.

29. Cost of personnel (Continued)

The Group's employee headcount numbers are shown below:

	Year ended December 31,	
	2017	2016
Management	65	65
White-collar employees	998	1,003
Blue-collar employees	1,630	1,652
Total	**2,693**	**2,720**

30. Other costs

This item is detailed below:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Writedowns of receivables and other assets	1,792	3,194
Contingent losses and unrealized income	145	93
Indirect taxes	2,908	2,788
Membership dues	821	868
Risk allowances	11,513	7,707
Sundry costs	2,548	2,781
Total	**19,727**	**17,431**

In the previous year the writedowns of receivables and other assets included a Euro 648 thousand writedown of receivables for white certificates.

The increase in risk allowances is due to higher charges to risk provisions, as explained previously in the note on provisions for risks and charges.

31. Depreciation, amortization and impairment losses

This item is detailed below:

	Year ended December 31,	
	2017	2016
	(in thousands of Euros)	
Depreciation of property, plant and equipment	34,024	34,357
Amortization of intangible assets	4,835	4,814
Depreciation of investment property	38	38
Impairment of fixed assets	—	4,079
Total	**38,897**	**43,288**

The previous year's impairment of fixed assets consisted of a Euro 1,691 thousand write-off of an advance payment given to an equipment supplier that declared bankruptcy in January 2017, and the remaining Euro 2,388 thousand regarded impairment losses ensuing from the autumn 2016 earthquake.

32. Net financial income/(costs)

This item is detailed below:

	Year ended December 31, 2017	Year ended December 31, 2016
	(in thousands of Euros)	
Interest income	256	108
Foreign exchange gains	11,992	15,014
Fair value measurement of derivatives	74	1,597
Other financial income	709	450
Total financial income	**13,031**	**17,169**
Bank interest expense	(1,244)	(2,048)
Interest expense on leases	(240)	(325)
Foreign exchange losses	(19,125)	(15,059)
Fair value measurement of derivatives	(548)	(428)
Interest costs on employee benefits	(250)	(377)
Other finance costs	(2,271)	(1,631)
Total finance costs	**(23,678)**	**(19,868)**
Total	**(10,647)**	**(2,699)**

33. Income taxes

This item is detailed below:

	Year ended December 31, 2017	Year ended December 31, 2016
	(in thousands of Euros)	
Current taxes	25,014	33,559
Deferred taxes	(5,580)	(3,483)
Total	**19,434**	**30,076**

The table below presents the reconciliation of the theoretical tax rate (the 24% IRES rate currently in force in Italy) and the effective tax rate:

	Year ended December 31, 2017	Year ended December 31, 2016
	(in thousands of Euros)	
Profit before tax	91,776	93,606
Theoretical tax rate	24.0%	27.5%
Theoretical income taxes	**22,026**	**25,742**
Profits not subject to taxes	(1,724)	(1,987)
Non-deductible taxes	407	659
Costs not deductible for tax purposes	741	440
Other decreases	(2,839)	(1,713)
Patent Box tax relief	(6,284)	—
IRAP allocated by Italian companies	3,218	3,369
Tax effects of foreign subsidiaries and other differences	3,889	3,566
Effective income taxes	**19,434**	**30,076**
Effective tax rate	**21%**	**32%**

34. Earnings per share

Earnings per share was calculated by dividing: i) the profit or loss attributable to ordinary equity holders by ii) the number of ordinary shares, as they result pursuant to the shareholders' resolution.

There are no anti-dilutive shares, so the diluted earnings per share is the same as the basic earnings per share.

35. Contingent liabilities

Various legal and tax proceedings originating over time in the normal course of the Group's business operations are pending. According to management, none of these proceedings can result in significant liabilities for which provisions do not already exist in the Consolidated Financial Statements.

36. Commitments

(a) Commitments to purchase property, plant and equipment

The contractual commitments undertaken with third parties at December 31, 2017 regarding investments in property, plant and machinery not yet recognized in the financial statements amount to Euro 16,339 thousand.

(b) Operating lease commitments

The operating leases in effect at December 31, 2017 will require payments of: *i)* Euro 5,837 thousand in 2018, ii) Euro 15,445 thousand from 2019 to 2023, *iii)* Euro 8,765 thousand after 2023.

(c) Sureties and guarantees

With respect to a loan granted by Unicredit Banca d'Impresa S.p.A. to associate Consorzio Industriale Canale Camuzzoni S.c.a.r.l., the Parent company has undertaken – by issuing a letter of comfort to the bank—to provide its associate with the funding necessary to repay the loan. The Group's commitment was Euro 573 thousand at December 31, 2017.

37. Related-party transactions

The following tables set forth the transactions and balances of the Group with related parties for the years ended December 31, 2017 and 2016.

Statement of Financial Position balances

	December 31, 2017				
	Assets			Liabilities	
	Financial receivables	Trade receivables	Tax credits	Current tax liabilities	Trade payables
			(in thousands of Euros)		
San Colombano S.p.A	24,104	17	—	3,770	110
Nerea S.p.A	—	—	—	—	—
Studio Canestrari e Crescentini	—	—	—	—	63
Studio Biscozzi Nobili	—	—	—	—	55
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l	—	—	—	—	—
Total	**24,104**	**17**	**—**	**3,770**	**228**
As a % of F/S item	100.0%	0.0%	0.0%	77.8%	0.1%

	December 31, 2016				
	Assets			Liabilities	
	Financial receivables	Trade receivables	Tax credits	Current tax liabilities	Trade payables
			(in thousands of Euros)		
San Colombano S.p.A	4,407	6	3,650	—	104
Nerea S.p.A	—	—	—	—	—
Studio Canestrari e Crescentini	—	—	—	—	54
Studio Biscozzi Nobili	—	—	—	—	66
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	106	—	—	—	—
Total	**4,513**	**6**	**3,650**	**—**	**224**
As a % of F/S item	100.0%	0.0%	81.2%	0.0%	0.1%

37. Related-party transactions (Continued)

Income Statement balances

	December 31, 2017				
	Income			Expenses	
	Sales revenues	Other revenues	Interest income	Cost of services	Interest expense
	(in thousands of Euros)				
San Colombano S.p.A.	—	—	35	138	—
Nerea S.p.A.	—	—	—	360	—
Studio Canestrari e Crescentini	—	—	—	63	—
Studio Biscozzi Nobili	—	—	—	55	—
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	—	—	1	—	—
Total	—	—	**36**	**616**	—
As a % of F/S item	0.0%	0.0%	0.1%	0.3%	0.0%

	December 31, 2016				
	Income			Expenses	
	Sales revenues	Other revenues	Interest income	Cost of services	Interest expense
	(in thousands of Euros)				
San Colombano S.p.A.	—	15	29	125	—
Nerea S.p.A.	—	—	—	355	—
Studio Canestrari e Crescentini	—	—	—	74	—
Studio Biscozzi Nobili	—	—	—	78	—
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.	—	—	—	—	—
Total	—	**15**	**29**	**632**	—
As a % of F/S item	0.0%	0.2%	0.2%	0.3%	0.0%

Description of the Group's related parties

San Colombano S.p.A. (formerly Cartiere Fedrigoni & C. S.p.A.) ("Parent company")

Pursuant to the Italian Income Tax Code ("TUIR") (Presidential Decree or "DPR" no. 917/86, Article 117 *et seq.*) and the Italian Ministerial Decree of June 9, 2004, Article 11, paragraph 4 containing "provisions applicable to the Italian tax consolidation regime, as per Articles 117 to 128 of the Italian Income Tax Code", the Group's Italian companies adopted the "Italian Tax Consolidation" regime again in 2017. The relevant agreement, which regulates all reciprocal obligations and responsibilities between San Colombano S.p.A. and the Group's companies, is in effect for tax years 2017, 2018 and 2019.

The tax liabilities presented in the foregoing table for 2017 refer to transactions within the scope of the Italian Tax Consolidation regime.

As reported in the note on tax credits, the tax credits in the foregoing table for 2016 include an IRES refund claim regarding years 2007 to 2011 for IRAP paid on personnel costs and not deducted for IRES purposes pursuant to Law Decree no. 201, Article 2, paragraph 1 quarter of December 6, 2011 and Italian Revenue Agency Director Provision no. 2012/140973 of December 17, 2012. The entire tax credit was received during 2017.

The financial receivables refer to a cash pool account with the Group companies.

Nerea S.p.A.

Nerea S.p.A. is a real estate agency considered a related party because it is controlled by the same entities that indirectly control the Parent company.

37. Related-party transactions (Continued)

The Group has a lease in effect with Nerea S.p.A. for the building in Verona in which the Parent company's headquarters are located. The lease was renewed for six years (renewable for another six years) in January 2017, with an annual lease payment of Euro 320 thousand. Moreover, an annual lease is in effect with Nerea S.p.A. for the parking lot next to the building, with an annual lease payment of Euro 38 thousand.

Studio Canestrari e Crescentini

Tax consulting firm "Canestrari & Crescentini" is 50%-owned by Silvana Canestrari, and is a related party because Ms. Canestrari is a non-executive, independent director of the Parent company.

The amounts included in the cost of services refer principally to her remuneration as a member of the Parent company's Board of Directors.

In 2017 Studio Canestrari & Crescentini provided consulting services to the Fedrigoni Group for a total amount of Euro 21 thousand.

The consulting services provided by the firm to the Fedrigoni Group in 2017 were performed by Leonardo Crescentini and one of his colleagues.

Studio Biscozzi Nobili

Pursuant to the appointment of Luigi Emilio Garavaglia as a non-executive, independent director of the Parent company at the shareholders' meeting of May 11, 2011, the tax consulting firm "Biscozzi Nobili" became a related party of the Parent company.

The amounts stated include Mr. Garavaglia's remuneration as a director and fees for the tax consulting services performed by the firm. In 2017 the consulting services concerned the Patent Box Agreement and transfer pricing, and amounted to approximately Euro 300 thousand.

Consorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l.

Corsorzio Canale Industriale G. Camuzzoni di Verona S.c.ar.l. is a 25%-owned company and therefore is an associate.

The consortium operates in the power generation industry, and the amounts stated for 2016 refer to an interest-bearing loan granted in 2016 that was repaid in 2017.

Key management personnel compensation

The following are considered key management positions of the Group: *i)* General Managers of Parent company and of subsidiaries Arconvert S.p.A and Arconvert SA; *ii)* C.E.O. of subsidiary Fedrigoni Brasil Papeis Ltda.; *iii*) C.E.O. of subsidiary GPA Holding Company Inc.; i*v)* C.F.O.; *v)* Parent company's Marketing Director.

The gross compensation paid to key management personnel in 2017 was Euro 1,741 thousand.

38. Subsequent events

No significant events are reported.

ANNEX 1—List of subsidiaries and associates

Name	Headquarters	Ownership
Directly controlled subsidiaries		**December 31, 2017**
Arconvert S.p.A.	Arco (Trento)	100.00%
Arconvert SA	Sarrià del Ter Gerona—Spain	100.00%
Fedrigoni Deutschland Gmbh	Oberhaching—Munich—Germany	100.00%
Fedrigoni Espana SL	Madrid—Spain	100.00%
Fedrigoni France Sarl	Paris—France	100.00%
Fedrigoni UK Ltd	Northampton—United Kingdom	100.00%
Cartamano Deutschland Gmbh	Munich—Germany	100.00%
Miliani Immobiliare Srl	Fabriano (Ancona)	100.00%
Fedrigoni Brasil Papeis Ltda	Sao Paolo—Brazil	100.00%
Fedrigoni Austria Gmbh	Vienna—Austria	100.00%
Fedrigoni Benelux BV	Brussels—Belgium	100.00%
Fedrigoni Asia Ltd	Hong Kong—China	100.00%
Concept Couleur Sàrl	Geneva—Switzerland	100.00%
GPA Holding Company Inc	McCook, Illinois—U.S.A.	100.00%
Indirectly controlled subsidiaries		
Fedrigoni Trading (Shanghai) Company Limited	Shanghai—China	100.00%
Associates		
Consorzio Canale Industriale G. Camuzzoni S.c.ar.l.	Verona	25.00%

ANNEX 2—CONSOLIDATED STATEMENT OF CASH FLOWS

FOLLOWING THE ALLOCATION OF CERTAIN MOVEMENTS RELATED TO THE EXCHANGE DIFFERENCE MADE IN THE CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016, FOR ILLUSTRATIVE PURPOSES THE UNAUDITED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015 IS REPRESENTED BELOW:

	Year ended December 31, 2015
	(in thousands of Euros)
Profit before tax	**82,798**
Adjustments for:	
Depreciation of property, plant and equipment	33,051
Amortization of intangible assets	3,715
Depreciation of investment property	48
Employee benefit allowance	(322)
Charges to risk provisions	1,357
Charges to provision for doubtful debts	2,321
Income from equity-accounted investments in associates	(426)
Net financial income /(costs)	2,479
Cash flow from operating activities before movements in working capital and income taxes paid	**125,021**
Change in trade receivables	(4,844)
Change in trade payables	18,723
Change in inventories	(10,132)
Use of provisions for risks	(6,767)
Use of provisions for personnel	(2,439)
Change in other assets /(liabilities)	(14,408)
Cash generated from operations before income taxes paid	**105,154**
Income taxes paid	(37,899)
Net cash generated by operating activities	**67,265**
Cash flow from investing activities	
Investments in intangible assets	(929)
Investments in property, plant and equipment	(32,551)
Disposals of property, plant and equipment and intangible assets	1,923
Business combinations	(99)
Financial income received	1,476
(Purchases)/disposals of subsidiaries or business divisions net of cash holdings	(121,959)
Net cash generated by/(used in) investing activities	**(152,139)**
Dividends paid	(18,000)
Finance costs paid	(3,899)
New medium/long-term bank loans raised	155,000
New short-term bank loans raised	122,109
Repayment of short-term bank loans	(73,070)
Repayment of medium/long-term bank loans	(76,535)
Repayment of financing from leasing companies	(2,523)
Net cash generated by/(used in) financing activities	**103,082**
Net increase/(decrease) in cash and cash equivalents for the year	**18,208**
Cash and cash equivalents at the beginning of the year	13,383
Effects of exchange rate changes on the balance of cash held in foreign currencies	(884)
Cash and cash equivalents at the end of the year	**30,707**

FEDRIGONI GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fedrigoni S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Fedrigoni S.p.A. and its subsidiaries (the "Fedrigoni Group"), which comprise the statement of financial position as at December 31, 2016, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to Art. 11 of Italian Legislative Decree 39/ 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fedrigoni Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other aspects

This auditors' report is not issued for Italian statutory purposes, due to the fact that Fedrigoni S.p.A. has opted for the exemption foreseen by Art. 27, n° 3, of Italian Legislative Decree 127/1991and has prepared the consolidated financial statements on a voluntary basis.

DELOITTE & TOUCHE S.p.A.

Signed by
Pier Valter Azzoni
Partner

Verona, Italy
March 28, 2017

This report has been translated into the English language solely for the convenience of international readers.

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2016	As of December 31, 2015
		(in thousands of euros)	
Non-current assets			
Property, plant and equipment	*6*	312,592	300,868
Intangible assets	*7*	68,856	64,663
Investment property	*8*	524	1,010
Equity-accounted investments in associates	*9*	2,266	2,136
Tax credits	*10*	3,650	3,807
Deferred tax assets	11	22,935	18,139
Financial assets	15	81	—
Other assets	*13*	4,986	3,880
Total non-current assets		**415,890**	**394,503**
Current assets			
Inventories	*14*	197,725	186,490
Trade receivables	*12*	248,732	253,355
Tax credits	*10*	845	2,913
Financial assets	15	4,432	5,585
Other assets	*13*	19,245	20,457
Cash and cash equivalents	*16*	34,066	30,707
Derivatives	*17*	1,597	792
Total current assets		**506,642**	**500,299**
Total assets		**922,532**	**894,802**
Share capital		40,000	40,000
Reserves and retained earnings		381,031	319,728
Equity attributable to owners of the parent		**421,031**	**359,728**
Equity attributable to non-controlling interests		—	—
Total equity	*18*	**421,031**	**359,728**
Non-current liabilities			
Due to banks and other lenders	*19*	83,864	110,208
Employee benefits	*20*	19,235	18,853
Provisions for risks and charges	*21*	21,521	12,074
Deferred taxes	*11*	24,347	23,799
Other liabilities	*22*	2,743	1,341
Total non-current liabilities		**151,710**	**166,275**
Current liabilities			
Due to banks and other lenders	*19*	84,800	105,191
Trade payables	*22*	211,259	222,972
Current tax liabilities	*23*	12,041	991
Other liabilities	*22*	41,262	39,629
Derivatives	*17*	429	16
Total current liabilities		**349,791**	**368,799**
Total liabilities		**501,501**	**535,074**
Total equity and liabilities		**922,532**	**894,802**

FEDRIGONI GROUP

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2016	2015
		(in thousands of euros)	
Sales revenues	*24*	1,054,634	976,981
Other operating income	*25*	9,392	16,873
Cost of materials	*26*	(549,355)	(528,006)
Cost of services	*27*	(216,331)	(199,005)
Cost of personnel	*28*	(148,082)	(136,504)
Other costs	*29*	(17,431)	(14,906)
Depreciation, amortization and impairment losses	*30*	(43,288)	(36,814)
Change in inventories of work in progress, semi-finished goods and finished products		6,319	5,697
Cost of capitalized in-house work		317	535
Operating income		**96,175**	**84,851**
Financial income		17,169	16,939
Finance costs		(19,868)	(19,418)
Net financial income/(costs)	*31*	(2,699)	(2,479)
Share of profits of associates		130	426
Profit before tax		**93,606**	**82,798**
Income taxes	*32*	(30,076)	(25,021)
Net profit		**63,530**	**57,777**
Net profit attributable to:			
—Owners of the parent		63,530	57,777
—Non-controlling interests		—	—
Earnings per share (in Euros):			
—Basic and diluted	*33*	0.79	0.72

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31, 2016	Year ended December 31, 2015
	(in thousands of euros)	
Net profit for the period	**63,530**	**57,777**
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	(1,244)	970
Income tax relating to other comprehensive income	342	(267)
	(902)	**703**
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations and other movements	**20,675**	**(25,663)**
Other comprehensive income for the period, net of income tax	**19,773**	**(24,960)**
Total comprehensive income /(loss) for the period	**83,303**	**32,817**
Attributable to owners of the parent	*83,303*	*32,817*
Attributable to non-controlling interests	—	—

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31, 2016	Year ended December 31, 2015
	(in thousands of euros)	
Profit before tax	**93,606**	**82,798**
Adjustments for:		
Depreciation of property, plant and equipment	34,357	33,051
Amortization of intangible assets	4,814	3,715
Depreciation of investment property	38	48
Impairment losses on tangible and intangible assets	4,079	—
Employee benefit allowance	—	(322)
Charges to risk provisions	9,520	1,357
Charges to provision for doubtful debts	3,194	2,321
Income from equity-accounted investments in associates	(130)	(426)
Net financial income /(costs)	2,699	2,479
Fair value measurement of derivatives	(392)	103
Cash flow from operating activities before movements in working capital and income taxes paid	**151,785**	**125,124**
Change in trade receivables	1,429	(333)
Change in trade payables	(11,722)	15,053
Change in inventories	(11,222)	(5,294)
Use of provisions for risks	(73)	(7,777)
Use of provisions for personnel	(1,239)	(1,469)
Change in other assets /liabilities	(8,958)	5,301
Cash generated from operations before income taxes paid	**119,999**	**130,607**
Income taxes paid	(23,656)	(37,889)
Net cash generated by operating activities	**96,343**	**92,717**
Cash flow from investing activities		
Investments in intangible assets	(1,901)	(929)
Investments in property, plant and equipment	(42,497)	(32,551)
Disposals of property, plant, equipment and intangible assets	1,062	1,923
Business combination	—	(99)
Financial income received	2,155	1,476
(Purchases)/disposals of subsidiaries or business divisions net of cash holdings	(214)	(121,959)
Net cash used in investing activities	**(41,395)**	**(152,139)**
Dividends paid	(22,000)	(18,000)
Finance costs paid	(4,432)	(3,899)
New medium/long-term bank loans raised	30,000	155,000
New short-term bank loans raised	29,676	122,148
Repayment of short-term bank loans	(38,144)	(73,070)
Repayment of medium/long-term bank loans	(65,718)	(76,535)
Repayment of financing from leasing companies	(2,548)	(2,532)
Net cash generated by/(used in) financing activities	**(73,166)**	**103,112**
Net increase/(decrease) in cash and cash equivalents for the period	**(18,218)**	**43,690**
Actuarial losses/(gains) on defined benefit plans net of taxes	902	(703)
Effects of exchange rate changes	19,839	(25,218)
Movements that did not generate cash flows	**20,741**	**(25,921)**
Cash and cash equivalents at the beginning of the period	30,707	13,383
Effects of exchange rate changes on the balance of cash holdings in foreign currencies	836	(445)
Cash and cash equivalents at the end of the period	**34,066**	**30,707**

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Profit for the period	TOTAL	Attributable to owners of the parent	Attributable to non-controlling interests
			(in thousands of euros)			
As of January 1, 2015	**40,000**	**304,911**	**—**	**344,911**	**344,911**	**—**
Net profit for the period	**—**	**—**	**57,777**	**57,777**	*57,777*	—
Actuarial gains on defined benefit plans	**—**	703	—	**703**	*703*	—
Exchange differences on translating foreign operations and other movements	**—**	(25,663)		**(25,663)**	*(25,663)*	
Comprehensive income for the period		**(24,960)**	**57,777**	**32,817**	**32,817**	**—**
Dividends distributed	**—**	(18,000)	—	**(18,000)**	*(18,000)*	—
Purchases of non-controlling interests				**—**		—
Consolidation difference on purchases of non-controlling interests		—	—	**—**	—	—
***Transactions with* shareholders**	**—**	**(18,000)**	**—**	**(18,000)**	**(18,000)**	**—**
Allocation of profit	**—**	57,777	(57,777)	**—**	—	—
As of December 31, 2015	**40,000**	**319,728**	**—**	**359,728**	**359,728**	**—**
As of January 1, 2016	**40,000**	**319,728**	**—**	**359,728**	**359,728**	**—**
Net profit for the period	**—**	**—**	**63,530**	**63,530**	*63,530*	—
Actuarial gains on defined benefit plans	**—**	(902)	—	**(902)**	*(902)*	—
Exchange differences on translating foreign operations and other movements	**—**	20,675	—	**20,675**	*20,675*	
Comprehensive income for the period		**19,773**	**63,530**	**83,303**	**83,303**	**—**
Dividends distributed	**—**	(22,000)	—	**(22,000)**	*(22,000)*	—
Purchases of non-controlling interests				**—**		—
Consolidation difference on purchases of non-controlling interests			—	**—**	—	—
***Transactions with* shareholders**	**—**	**(22,000)**	**—**	**(22,000)**	**(22,000)**	**—**
Allocation of profit	**—**	63,530	(63,530)	**—**	—	—
As of December 31, 2016	**40,000**	**381,031**	**—**	**421,031**	**421,031**	**—**

FEDRIGONI GROUP

Notes to the Consolidated Financial Statements

Introduction

Fedrigoni S.p.A. (the "Company") prepares its financial statements in accordance with the relevant provisions of the Italian Civil Code, which regulates their preparation, as interpreted by the accounting principles issued by the *Organismo Italiano di Contabilità* ("Italian GAAP"). Fedrigoni S.p.A. used the exemption provided by Italian Legislative Decree 127/91, Article 27, paragraph 3 and prepared Consolidated Financial Statements for the years ended December 31, 2016 and 2015 on a voluntary basis in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU-IFRS).

1. General information

Fedrigoni S.p.A. is a company incorporated and domiciled in Italy and organized under Italian law.

The Company was incorporated on August 5, 1999 under the name Papelco S.r.l. with its registered office at Viale Piave 3, Verona. It changed its name to Fedrigoni Cartiere S.p.A. on December 18, 1999 and then to Fedrigoni S.p.A. on January 1, 2011. San Colombano S.p.A., whose registered office is at Viale Piave 3, Verona, Italy, controls the Company with 99.99% of the voting shares.

The Fedrigoni Group (the "Group") produces and sells paper, security products and self-adhesive items (converting segment). Specifically, it produces, transforms and distributes worldwide coated and uncoated graphic papers for the general and specialized press and for publishing, bookbinding, packaging, finishing and converting applications for commercial and personal use, technical and industrial use, office use, and artistic and scholastic use. The Group also produces, converts and distributes worldwide adhesive and anti-adhesive papers and materials. It is the sole Italian producer of paper for banknotes and one of the world's leading names in this particular market segment. The Group's main brands are *Fedrigoni* and *Fabriano*.

This document was approved by the Company's Board of Directors on March 15, 2017.

2. Summary of accounting standards

Provided below are the main accounting standards and principles applied in the preparation of the Group's consolidated financial reports.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union, and with the provisions issued in enactment of Italian Legislative Decree n. 38/2005, Article 9. The term "EU-IFRS" means the International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), and all Interpretations of the International Financial Reporting Interpretations Committee (IFRIC, previously known as the Standing Interpretations Committee, or SIC) which, as of the date of approval of the consolidated financial statements, have been endorsed by the European Union in accordance with the procedures established by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002. The EU-IFRS have been applied consistently in all periods presented herein. The consolidated financial statements have been prepared according to the best knowledge of the EU-IFRS and taking into consideration the best doctrine applicable. Any future changes in interpretation or orientation will be reflected in subsequent periods as established at the time by applicable accounting standards.

The consolidated financial statements have been prepared on a going-concern basis, given that management has verified that there are no financial, operational, or other indicators of critical issues regarding the ability of the Group to meet its obligations over the next 12 months or in the foreseeable future. A description of how the Group manages financial risk, including both liquidity and equity risk, is provided in Note 3 regarding the management of financial risks.

The consolidated financial statements are presented in euros, the currency used in the economies in which the Group primarily operates. All amounts shown in this document are expressed in thousands of euros unless otherwise specified.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Below is a description of the various financial statements and related classification criteria adopted by the Group as envisaged in IAS 1—Presentation of Financial Statements*:*

- The *consolidated statement of financial position* has been prepared by classifying assets and liabilities as either current or non-current;
- The *consolidated income statement* has been prepared by classifying operating costs by their nature;
- The *consolidated statement of comprehensive income* includes both the net profit for the period as shown in the separate consolidated income statement and the other changes in equity resulting from transactions not entered into with shareholders of the Company;
- The *consolidated statement of cash flows* has been prepared by showing the cash flows resulting from operations by way of the "indirect" approach".

The consolidated financial statements have been prepared on a historical-cost basis with the exception of the measurement of financial assets and liabilities, including derivative instruments, in which cases the fair-value approach is mandatory.

2.2 BASIS AND METHOD OF CONSOLIDATION

Described below are the criteria adopted by the Group in determining the companies to be consolidated in terms of subsidiaries and associates and their respective consolidation methods.

a) Consolidated companies

i) Subsidiaries

The consolidated financial statements include those of the Company and companies in which Fedrigoni S.p.A. exercises control either directly or indirectly through other subsidiaries. Control is considered to begin on the date on which the company is acquired and end when control over the company ceases.

Subsidiaries are consolidated on a line-item basis as described below:

- the assets and liabilities, income and expenses are consolidated line by line, with non-controlling interests allocated their share of equity and net profits as shown separately in the statement of changes in equity, consolidated income statement, and consolidated statement of comprehensive income;
- business combinations which, during the period under review, result in acquiring control over an entity are recognized using the acquisition method. The acquisition cost is the fair value, at the control transfer date, of assets acquired, liabilities assumed, and equity instruments issued. Transaction costs are recognized through profit or loss on the date on which the related services are provided. The assets, liabilities and contingent liabilities acquired are recognized at their fair value as of the acquisition date. The difference between the acquisition cost and the fair value of the assets and liabilities acquired is recognized, if positive, among intangible assets as goodwill or, if negative and after verifying the proper measurement of the fair value of the assets and liabilities acquired and their acquisition cost, through profit or loss. If the fair value of the identifiable assets and liabilities acquired can be determined only provisionally, the business combination is recognized using the provisional values. Any adjustments resulting from the measurement process are recognized within twelve months from the acquisition date, and the comparative figures are remeasured;
- the acquisition of non-controlling interests related to entities in which there is already control, or the sale of non-controlling interests that do not result in a loss of control, are considered equity transactions. This means that, in the event of acquisition or sale of non-controlling interests that result in control being maintained, any difference between the acquisition/sale cost and the related share of equity acquired/sold is recognized in equity;
- receivables, payables, income and expenses between the consolidated companies as well as significant profits and losses and related tax effects resulting from transactions conducted between companies and

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

not yet realized with other parties are eliminated, with the exception of unrealized losses, which are not eliminated if the transaction provides evidence of an impairment loss of the business transferred. Also eliminated, if material, are reciprocal receivables and payables, revenues and expenses, financial income and finance costs;

- profits or losses resulting from the sale of equity interests in consolidated companies that results in a loss of control over that entity are recognized through profit or loss in an amount equal to the difference between the selling price and the corresponding share of the equity sold.

The financial statements of subsidiaries are prepared with reporting periods ending on December 31, which is the same reporting date for the consolidated financial statements, and have been prepared and approved by the boards of directors of the respective entities and adjusted, as necessary, to ensure uniformity in the accounting standards adopted within the Group.

In January 2016 Fedrigoni purchased a 100% stake in Concept Couleurs Sàrl, based in Geneva (Switzerland), which operates a stationery store with Fabriano Boutique products. The acquisition is in synergy with the development of the Boutique brand, since a new Company-owned point of sale was acquired in a particularly prestigious location in Geneva.

The consolidation of this company did not have a material impact at a consolidated level.

In addition, on January 1, 2016 Fedrigoni Brasil Papeis Ltda was fully merged by incorporation into Arconvert Brasil Ltda. The new company changed its name to "Fedrigoni Brasil Papeis Ltda".

As a result of the 2015 acquisitions (GPA Holding Company Inc, Fedrigoni Brasil Papeis Ltda) and the new company Fedrigoni Trading (Shanghai) Company Limited, the accounting data as of December 31, 2016 is not immediately comparable with that of the previous year because the companies were included in the consolidation perimeter on the date on which control was acquired, which generally coincides with the acquisition date, so on April 1 for GPA Holding Company Inc, June 1 for Fedrigoni Brasil Papeis Ltda and April 1 for Fedrigoni Trading (Shanghai) Company Limited.

ii) Associates

Associates are companies over which the Group exercises significant influence, which is the power to contribute to determining the financial and operating policies of the entity without having either control or joint control. Significant influence is assumed to exist when at least 20% of the exercisable voting rights is held either directly or indirectly through subsidiaries. When determining the existence of significant influence, potential voting rights that are actually exercisable or convertible are also taken into account. Investments in associates are measured using the equity method and initially recognized at the cost incurred for their acquisition. A description of the equity method is provided hereunder:

- the carrying value of these investments is aligned with the equity held and adjusted, as necessary, in application of the EU-IFRS; this includes the recognition of the greater value attributed to the assets and liabilities and any goodwill established at the time of acquisition;
- profit or loss attributable to owners of the parent company is recognized from the date on which significant influence began until the date on which it ceases; if realized losses of a company measured at equity should result in negative equity, the carrying value of the investment is eliminated, and any excess attributable to the owners of the parent is recognized in a specific reserve if the parent has undertaken to meet the associate's legal or other constructive obligations; changes in equity for companies measured at equity that are not related to net profits are recognized as a direct adjustment to equity reserves;
- significant, unrealized profits and losses generated on transactions between the Company, its subsidiaries and equity-accounted associates are eliminated based on the value of the equity interest that the Group owns in the associate. Unrealized losses are eliminated, with the exception of cases in which such losses represent an impairment loss.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

A list of subsidiaries and associates, which includes information on their headquarters and the respective ownership interests, is provided in Annex 1.

b) *Translation of foreign currency balances*

The financial statements of subsidiaries and associates are prepared using the currency of the primary economy in which they operate (i.e. the "functional currency"). The rules for translating financial statements expressed in a currency other than the euro are as follows:

- assets and liabilities are translated using the exchange rates in effect as of the reporting date;
- income and expenses are translated at the average exchange rate for the reporting period;
- the translation reserve shown on the statement of comprehensive income includes both the exchange rate differences generated by the translation of balances at a different rate from that of the closing date and those generated by the translation of opening equity balances at a different rate from that of the reporting date;
- the goodwill and fair-value adjustments related to the acquisition of foreign entities are treated as assets and liabilities of the foreign entity and translated at the end-of-period exchange rate.

The consolidated investee companies with a different functional currency from the euro as of December 31, 2016 are Fedrigoni UK Ltd (GBP), Fedrigoni Asia Ltd (HKD), Fedrigoni Brasil Papeis Ltda (BRL), GPA Holding Company Inc. (USD), Fedrigoni Trading (Shanghai) Company Limited (CNY), and Concept Couleurs Sàrl (CHF).

The exchange rates used to translate the financial statements of companies with a functional currency other than the euro are listed in the table below:

	Average for year ended December 31		As of December 31,	As of December 31,
Currency	2016	2015	2016	2015
GBP	0.8195	0.7259	0.8562	0.7340
BRL	3.8561	3.8450	3.4305	4.3117
CNY	7.3522	6.9884	7.3202	7.0608
CHF	1.0902	—	1.0737	—
USD	1.1069	1.1041	1.0541	1.0887
HKD	8.5922	8.6014	8.1751	8.4376

c) *Translation of foreign currency items*

Transactions in a currency other than the functional currency are recognized at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in a currency other than the euro are subsequently adjusted at the exchange rate in effect at the end of the reporting period. Non-monetary assets and liabilities denominated in a currency other than the euro are recognized at historical cost using the exchange rate in effect when the transaction was initially recognized. Any currency differences arising from such translation are recognized through profit or loss in the income statement.

2.3 ACCOUNTING POLICIES

- **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is measured at purchase or production cost net of accumulated depreciation and any impairment losses. The purchase or production cost includes any charges incurred directly to bring the assets to working condition for their intended use, as well as any charges for disposal and removal that should be incurred as a result of contractual obligations that require restoring the asset to its original condition. Finance costs directly attributable to the purchase or construction of qualified assets are capitalized and depreciated over the useful life of the related asset.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Expenditure incurred for routine and/or cyclical maintenance and repairs are fully recognized directly in the income statement of the period in which they are incurred. Costs related to the expansion, modernization or improvement of structural components of owned assets are capitalized when such components meet the requirements for separate classification as assets or part of an asset in application of the component approach, which establishes that each component subject to separate determination of its useful life and related value must be treated individually.

Depreciation is recognized monthly on a straight-line basis based on rates that enable the asset to be fully depreciated by the end of its useful life.

The useful lives estimated by the Group for the main categories of fixed assets are as follows:

Land	Not depreciated
Buildings	2.5%
Plant and machinery	5-10%
Equipment	7- 12.5%
Other tangible assets	7-20%

The useful lives of property, plant and equipment and the residual value of such assets are reviewed and updated as necessary at the end of each year. Land is not depreciated.

Assets under finance leases

Property, plant and equipment held by way of finance leases, which transfer substantially all risks and rewards of ownership to the Group, are recognized as assets of the Group at their fair value as of the lease stipulation date or at the present value of the minimum lease payments due, whichever is lower, including any amounts to be paid when exercising the purchase option. The corresponding obligation to the lessor is included among financial liabilities. Assets are depreciated using the rates and policies described above, except in cases where the term of the lease is shorter than the useful life as defined above and there is no reasonable certainty of the actual transfer of ownership of the leased asset upon the natural expiration of the agreement. In such cases, the depreciation period is the lease term.

Leases in which the lessor maintains essentially all risks and benefits of ownership of the asset are considered to be operating leases. The costs related to operating leases are recognized on a straight-line basis through profit or loss throughout the duration of the agreement.

Sale and leaseback with finance leases

If a sale and leaseback transaction corresponds to a finance lease, any excess of the sale price paid over the carrying value is not recognized immediately as a gain, but rather is recognized as deferred income and recognized through profit or loss over the lease term.

- **INTANGIBLE ASSETS**

Intangible assets are identifiable, non-monetary items without physical substance, which generate future economic benefits. Goodwill is included when acquired for valuable consideration. Intangible assets are recognized at purchase and/or production cost including any directly attributable expenses incurred to prepare the asset for use and net of accumulated amortization and any impairment losses. Any interest expense accrued during and for the development of intangible assets is considered part of the purchase cost.

Amortization begins when the asset is available for use and is recognized systematically in relation to the remaining useful life of the asset.

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life, i.e. the estimated period in which such assets will be used by the Group. Intangible assets with a finite useful life are tested for impairment in order to determine whether those assets have suffered a loss in value (impairment loss) whenever there is any indication thereof.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Intangible assets with an indefinite useful life are not depreciated, but they are tested for impairment at least annually. The impairment test is described in the section on "impairment losses".

When part or all of a previously acquired business is sold, and goodwill had emerged on the acquisition, the corresponding residual value of goodwill is taken into account in determining the capital gain or capital loss on the sale.

(a) Industrial patents and intellectual property rights

Patents and intellectual property rights are amortized on a straight-line basis over their useful life.

(b) Concessions, licenses and trademarks

Concessions, licenses and trademarks are amortized on a straight-line basis over their respective term.

Costs for software licenses, including expenses incurred in order to make the software ready for use, are amortized on a straight-line basis over a period of 3 years.

Costs related to software maintenance are expensed as incurred.

(c) Research and development costs

Research costs are expensed as incurred, whereas development costs are recognized as intangible assets when all the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project has been demonstrated;
- the intention to complete the project and to sell the intangible assets generated has been demonstrated;
- a potential market exists or, in the event of internal use, the utility of the intangible asset to produce the intangibles generated by the project has been demonstrated;
- the technical and financial resources needed to complete the project are available.

The amortization of any development costs recognized as intangible assets begins on the date on which the project becomes marketable.

In an identified internal project for the creation of an intangible asset, if the research stage is indistinguishable from the development stage, the cost of this project is fully recognized through profit or loss as if there had only been a research stage.

- **IMPAIRMENT OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS**

At each reporting date, a review is performed to determine whether there is any indication that assets have suffered an impairment loss. Both internal and external sources of information are taken into account for the impairment testing. Internal sources include: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the financial performance of the asset compared to expectations. External sources of information include: trends in the market price of the asset; any technological, market or legislative changes; trends in market interest rates or in the cost of capital used to measure the value of the investment.

If any such indication exists, the recoverable value of the asset is estimated, and any impairment loss compared to the current carrying value is recognized in the income statement. The recoverable value of an asset is its fair value less any costs to sell or its value in use (i.e. the present value of estimated future cash flows generated by the asset), whichever is greater. To determine value in use, the present value of expected future cash flows is calculated using a pre-tax discount rate that reflects the current market values of the cost of money based on the investment period and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the recoverable value is determined for the cash-generating unit to which the asset belongs.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

An impairment loss is recognized when the carrying value of the asset or of the related cash-generating unit exceeds its recoverable value. Impairment of cash-generating units is initially recognized as a reduction of the carrying value of any goodwill attributed to it and subsequently as a reduction of the other assets proportionate to their carrying values and to the extent of their respective recoverable values. If the conditions for a previous impairment loss should cease to exist, the carrying value of the asset is reinstated and recognized in the income statement to the extent of the net carrying value that the asset would have had if it had not been written down and all related depreciation or amortization had been recognized.

- **INVESTMENT PROPERTY**

Investment property is property owned for the purpose of receiving rent payments, realizing a capital gain on the investment, or both, which generates cash flows that are largely independent of the other assets. Investment property follows the same measurement, recognition and depreciation criteria applied for property, plant and equipment.

- **TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS**

Trade receivables and other financial assets are initially recognized at fair value and subsequently at amortized cost in accordance with the effective interest rate approach, net of any write-downs. Trade receivables and other financial assets are included among current assets, excluding those contractually due after twelve months from the reporting date, in which case they are classified as non-current assets.

Impairment losses on receivables are recognized when there is objective evidence that the Group will not be able to collect the amount from the counterparty based on the terms of the related agreement.

Objective evidence includes events such as:

- significant financial difficulty of the issuer or debtor;
- pending legal disputes with the debtor concerning the receivables;
- the likelihood that the debtor will declare bankruptcy or will initiate other such financial restructuring procedures.

The amount of the writedown is measured as the difference between the carrying value of the asset and the present value of the future cash flows and is recognized in the income statement under “other costs”. Uncollected receivables are eliminated from the statement of financial position and recognized in a provision for doubtful debts. If the reasons for a previous writedown should cease to exist in future periods, the value of the asset is reinstated at the value of its amortized cost without the writedown.

Financial assets are written off when the right to receive cash flows from them ceases or is transferred, or when the Group has substantially transferred all risks, rewards and control associated with the financial instrument to a third party.

- **DERIVATIVES**

Derivative instruments are used for strategic and financial hedging purposes. However, some conditions set by EU-IFRS concerning hedge accounting are not present, so the derivatives are recognized as trading instruments. Accordingly, derivatives are initially recognized at fair value, and subsequent changes in fair value are recognized as components of financial income and finance costs for the period.

- **DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial instruments listed on an active market is based on the market prices of the reporting date. The fair value of financial instruments not listed on an active market is determined using valuation approaches based on a series of methods and assumptions related to the market conditions as at the reporting date.

2. Summary of accounting standards (Continued)

The fair value classification of financial instruments is set forth below based on the following hierarchical levels:

Level 1: fair value determined based on quoted (non-adjusted) prices in active markets for identical financial instruments;

Level 2: fair value determined using valuation techniques based on inputs that are observable in active markets;

Level 3: fair value determined using valuation techniques based on unobservable inputs in active markets.

Given the short-term nature of trade receivables and payables, we believe that the carrying value is a good approximation of their fair value.

For more information on the valuation of financial instruments at fair value based on this hierarchy, see note 3.5.

- **Inventories**

Inventories are recognized at the lower of purchase or production cost and net realizable value, i.e. the amount that the Group expects to receive on their sale under normal business conditions, less costs to sell. The cost of inventories of raw and ancillary materials, consumables and finished products is determined by using the weighted average cost method.

The cost of finished products and semi-finished goods includes the costs of raw materials, direct labor and other production costs (based on normal operating capacity). Finance costs are not included in the measurement of inventories because the conditions for their capitalization are not present.

- **Cash and cash equivalents**

Cash and cash equivalents include available bank deposits and other forms of short-term investment with a maturity not exceeding three months. As of the reporting date, bank overdrafts are classified as current financial liabilities. The items included in cash and cash equivalents are measured at fair value, and subsequent changes are recognized through profit or loss.

- **Trade payables and other liabilities**

Trade payables and other liabilities are initially recognized at fair value net of directly attributable costs and are subsequently measured at amortized cost using the effective interest rate method.

- **Financial liabilities**

Financial liabilities, which relate to loans, finance leases and other payment obligations, are initially recognized at fair value net of transaction costs and are subsequently recognized at amortized cost using the effective interest rate method. In the event of changes in the expected cash flows, the value of the liability is recalculated in order to reflect such change based on the present value of the new expected cash flows and using the initially determined internal rate of return. Financial liabilities are classified among current liabilities, excluding those with a contractual maturity of twelve months after the reporting date and excluding those for which the Group has the unconditional right to defer payment for at least twelve months from such date.

Purchases and sales of financial liabilities are recognized on the transaction settlement date.

Financial liabilities are eliminated from the statement of financial condition when paid in full and/or when the Group has transferred all risks and charges related to the instrument.

- **Employee benefits**

Short-term benefits include wages, salaries, related social security charges, compensation for unused vacation time, and incentives and bonuses payable within twelve months of the reporting date. These benefits are recognized as components of the cost of personnel during the period of service.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Pension funds

The companies of the Group have both defined-contribution and defined-benefit plans.

The defined-contribution plans are managed by external fund managers in relation to which there are no legal or other obligations to pay further contributions if the fund should have insufficient assets to meet the obligations toward employees. For those defined-contribution plans, the Group gives voluntary or contractually set contributions to both public and private pension funds. The contributions are recognized as costs of personnel on an accruals basis. Advance contributions are recognized as an asset to be reimbursed or used to offset any future payments due.

A defined-benefit plan is one that cannot be classified as a defined-contribution plan. In defined-benefit plans, the amount of the benefit to be paid to the employee is quantifiable solely upon termination of employment and is tied to one or more factors, such as age, seniority, and salary level. As such, the obligations of a defined-benefit plan are determined by an independent actuary using the projected unit credit method. The present value of a defined-benefit plan is determined by discounting the future cash flows at an interest rate that is equal to that of high-quality corporate bonds issued in the currency in which the liability is to be settled and which takes into account the term of the related pension plan. Actuarial gains or losses resulting from these adjustments are shown in the statement of comprehensive income as a component of such income. The Group manages solely one defined-benefit plan, which is the fund for employee severance indemnities (or "TFR"). This fund, which is a form of deferred remuneration, is mandatory for Italian companies in accordance with Article 2120 of the Italian Civil Code and is correlated to the length of employment and the salary received throughout the period of service. On January 1, 2007, Italian law no. 296 of December 27, 2006 ("2007 Financial Law"), and subsequent law decrees and regulations introduced significant changes as to how this fund is to be handled, including the right for employees to choose whether their benefit is accumulated in a supplemental pension fund or in the "treasury fund" managed by INPS. As a result, the obligation toward INPS and the contributions to supplementary pension funds have, in accordance with IAS 19—Employee Benefits, become defined-contribution plans, whereas the amounts contributed to the TFR fund as at January 1, 2007 maintain their status as defined-benefit plans.

- **PROVISIONS FOR RISKS AND CHARGES**

Provisions for risks and charges are recognized for certain or probable losses and other charges of a given nature, but for which the amount and/or timing cannot be determined. The provision for agency termination represents amounts that could be due as a result of the termination of agency relationships in effect as of the reporting date.

Provisions are recognized only when there is a present obligation (legal or constructive) for a future outflow of economic resources that has arisen as a result of past events and when it is probable that such outflow will be required to settle the obligation. The amount allocated represents the best estimate of the amount required to settle the obligation. The discount rate used to determine the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.

Where the effect of the time value of money is material and the payment dates of the obligations can be estimated reliably, the provisions are measured at the present value of the outflow expected using a rate that reflects current market conditions, the change in the time value of money, and the risks specific to the liability. Any increases in value of the provision attributable to changes in the time value of money are recognized as interest expense.

Risks for which a liability is only possible are disclosed as contingent liabilities, and no provision is allocated for them.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

- **RECOGNITION OF REVENUES**

Revenues are recognized at the fair value of the consideration received for the sale of products and services of the Group's ordinary operations. Revenues are recognized net of value added tax, expected returns, rebates and discounts. Revenues are recognized as follows:

Sales revenues

Revenues from the sale of goods are recognized when the risks and rewards associated with the ownership of the goods are transferred to the buyer, the sales price is agreed or determinable, and such price is expected to be paid.

Interest income

Interest income is recognized in the consolidated income statement based on the effective rate of return. It refers primarily to interest earned on bank accounts.

- **GOVERNMENT GRANTS**

When formally authorized and when the right to their disbursement is deemed definitive based on reasonable certainty that the Group will meet the underlying conditions and that the grants will be received, government grants are recognized based on the matching concept of income and expenses.

Grants relating to assets

Government grants relating to fixed assets are recognized as deferred income among "other liabilities", either current for short-term portions or non-current for long-term portions. Deferred income is recognized in the income statement as "other operating income" on a straight-line basis over the useful life of the asset for which the grant is received.

Grants for operating expenses

Grants other than those relating to assets are recognized on the income statement under "other operating income".

- **RECOGNITION OF EXPENSES**

Expenses are recognized when relating to goods or services acquired or consumed during the period or when systematically allocated.

- **INCOME TAXES**

Current income taxes are calculated based on the taxable income for the period at the tax rates in effect on the reporting date.

Deferred taxes are calculated for differences emerging between the tax base of an asset or liability and its related carrying value, with the exception of goodwill and differences related to investments in subsidiaries when the timing of such differences is subject to control by the Group and it is probable that they will not be recovered in a reasonably foreseeable timeframe. Deferred tax assets, including those concerning accumulated tax losses, for the portion not offset by deferred tax liabilities, are recognized to the extent to which it is probable that there will be sufficient future taxable earnings to recover the deferred taxes. Deferred tax assets and liabilities are measured based on the tax rates expected to apply in the period in which the differences will be realized or settled.

Current and deferred taxes are recognized in the income statement under "income taxes", excluding those related to items shown in the consolidated statement of comprehensive income other than net profits and items recognized directly in equity. In the latter cases, deferred taxes are recognized under "income taxes related to

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

other comprehensive income" in the consolidated statement of comprehensive income and directly in equity. Income taxes are offset when they are assessed by the same fiscal authority, there is a legal right to such offsetting, and the net balance is expected to be settled.

Other taxes unrelated to income, such as indirect taxes and other duties, are included with "other costs".

- **EARNINGS PER SHARE**
  - *Earnings per share—basic*

Basic earnings per share is calculated by dividing the Group's net profit by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares.

- *Earnings per share—diluted*

Diluted earnings per share is calculated by dividing the Group's net profit by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares. To calculate diluted earnings per share, the weighted-average number of shares in circulation is adjusted by assuming the exercising of all rights that could potentially have a dilutive effect, and the Group's net profit is adjusted to take into account any effect, net of taxes, of exercising such rights.

- **RECENTLY ISSUED ACCOUNTING STANDARDS**

The Group's adoption of accounting standards and interpretations that are mandatory from January 1, 2016 did not have any significant effects on the financial statements. Below are the main standards that came into force on January 1, 2016:

- Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions (published on November 21, 2013): concerning the recognition of contributions from employees or third parties to defined benefit plans.
- Amendments to IFRS 11 Joint Arrangements "Accounting for acquisitions of interests in joint operations" (published on May 6, 2014): concerning the accounting treatment of the acquisition of interests in a joint operation whose assets constitute a business.
- Amendments to IAS 16 and IAS 41 "Bearer Plants" (published on June 30, 2014): concerning bearer plants, i.e. fruit trees that bear annual harvests (such as grape vines, hazelnut trees) must be accounted for in accordance with IAS 16 (instead of IAS 41).
- Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization" (published on May 12, 2014): according to which the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, which is however a requirement for depreciation.
- Amendment to IAS 1—"Disclosure Initiative" (published on December 18, 2014): the amendments seek to clarify disclosures that could be perceived as impediments to a clear and intelligible preparation of financial reports.
- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" (published on December 18, 2014), containing amendments addressing issues that arose in the context of applying the consolidation exception for investment entities.

Within the scope of its annual process to improve accounting standards, on December 12, 2013 IASB published "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 "Share Based Payments—Definition of vesting condition", IFRS 3 "Business Combinations—Accounting for contingent consideration", IFRS 8 "Operating segments—Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets", IFRS 13 "Fair Value Measurement—Short-term receivables and payables") and on September 25, 2014 it published "Annual Improvements to IFRSs:

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

2012-2014 Cycle" (including: IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations", IFRS 7—"Financial Instruments: Disclosures" and IAS 19—"Employee Benefits"), which supplement in part the previous standards.

Accounting standards, amendments, and interpretations not yet effective and not applied in advance by the Group

As of this writing, the European Union authorities have approved the following accounting standards and amendments that are not yet effective for the Group.

- IFRS 15—"Revenue from Contracts with Customers" (published on May 28, 2014 and integrated with additional clarifications on April 12, 2016), which shall supersede IAS 18—"Revenue" and IAS 11—"Construction Contracts", as well as IFRIC 13—"Customer Loyalty Programmes", IFRIC 15—"Agreements for the Construction of Real Estate", IFRIC 18—"Transfers of Assets from Customers" and SIC 31—"Revenues-Barter Transactions Involving Advertising Services". The standards establish a model framework for recognizing revenues, which will apply to all contracts stipulated with customers except those falling within the scope of application of other IAS/IFRS, such as leases, insurance contracts and financial instruments. The basic steps to recognize revenue according to the new model are:
  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract;
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract;
  - recognize revenue when (or as) the entity satisfies a performance obligation.

  The standard is effective for annual periods beginning on or after January 1, 2018 but earlier application is permitted. The amendments to IFRS 15, "Clarifications to IFRS 15—Revenue from Contracts with Customers", published by IASB on April 12, 2016, have not been endorsed by the European Union yet. Management expects that the application of IFRS 15 could have an impact on the amounts recognized for revenues and on the related disclosures reported in the Group's financial statements. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of its contracts with customers.

- Final version of IFRS 9—"Financial Instruments" (published on July 24, 2014). The document brings together results of the IASB's project to replace IAS 39:
  - it establishes new criteria for classifying and accounting for financial assets and financial liabilities;
  - the new standard sets out a new "expected loss" impairment model (which replaces the incurred loss model in IAS 39) using supportable information, available without unreasonable costs or efforts, including information about past events, current conditions and forecasts;
  - it includes a new hedge accounting model (additional types of transactions eligible for hedge accounting, change in accounting methods for forward contracts and options included in hedge accounting, changes to effectiveness testing).

  The standard is effective for annual periods beginning on or after January 1, 2018. Management does not expect the adoption of the amendments to impact the Group's consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT

The Group's business is exposed to various types of risk: market risk, credit risk and liquidity risk. The Group's risk management strategy focuses on market unpredictability and aims to minimize the potential adverse effects on the Group's financial performance. Some types of risk are mitigated through the use of derivatives.

3. Financial risk management (Continued)

Risk management is centralized with the Treasury Management function, which identities, assesses and hedges financial risks by working closely with the Group's business units. The Treasury Management function provides policies and guidelines for monitoring risk management particularly with respect to foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and ways to invest excess cash.

3.1 Market risk

In performing its business activity, the Group is exposed to various market risks, particularly the risk of fluctuations of interest rates, foreign exchange rates, and cellulose assets and natural gas prices.

To contain such risk within the risk management limits defined at the start of the year, derivatives are stipulated for interest and foreign exchange risks.

The Group does not stipulate derivatives for speculative purposes.

Interest rate risk

The Group's interest rate risk originates primarily from long-term, variable-rate loans.

The variable-rate loans expose the Group to risk arising from interest rate volatility (cash flow risk"). The Group uses Interest Rate Caps (CAPs) to hedge such risk.

With CAPs, if the interest rate exceeds the strike price, the difference between the variable rate and the strike price is paid to the buyer. The CAPs expired in 2016.

Foreign exchange risk

The Group conducts business on an international level, so it is exposed to the foreign exchange risk deriving from the different currencies in which the Group operates (prevalently the U.S. Dollar, British Pound Sterling and Brazilian Real).

The foreign exchange risk originates from sales transactions that have not occurred yet and from assets and liabilities that are already recognized in the financial statements in currencies other than the Euro.

To hedge against risks associated with assets and liabilities already recognized in the financial statements in currencies other than the Group's functional currency, in some instances the Group uses currency forwards. The currency forward contracts usually have a maximum term of twelve months.

Price risk

The Group is exposed to price risk primarily on its cellulose and energy procurement, whose costs are subject to market volatility.

The Group controls the exposure to raw material and energy commodity price changes mainly by monitoring the costs incurred against the budget, with activities aimed to reduce costs and volatility risk through negotiations with suppliers, whenever possible.

Accounting for derivatives

The Group holds derivatives exclusively for hedging purposes.

However, although some derivatives are designated to hedge interest rate risk and foreign exchange risk, they are embedded with optional components that make them ineligible for hedge accounting: therefore, the changes in fair value of these derivatives follow the general rule observed for trading derivatives, i.e. they are recognized directly in profit and loss and affect the result for the period.

3. FINANCIAL RISK MANAGEMENT (Continued)

The tables below set forth the notional amounts of the derivatives at December 31, 2016 and 2015, according to their type.

	As of December 31, 2016	As of December 31, 2015
	(Amounts in thousands)	
USD forward purchase	32,800	33,400
JPY forward purchase	—	—
EUR forward purchase	—	—
USD forward sale	4,367	1,597
GBP forward sale	7,091	3,200
AUD forward sale	1,190	—

The tables below set forth the fair values of the derivatives according to their type.

	As of December 31, 2016		As of December 31, 2015	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
	(in thousands of euros)			
Currency derivatives	429	1,597	16	792
Total	**429**	**1,597**	**16**	**792**

Sensitivity analysis

A sensitivity analysis is set forth below, in which the impact of an increase or decrease in interest rates on the profit or loss for the period is presented:

	Year ended December 31, 2016 Gain / (Loss)	
	+100 bps	-100 bps
	(in thousands of euros)	
Finance leases	(63)	63
Other financing	1,358	(1,358)
Total	**1,295**	**(1,295)**

	Year ended December 31, 2015 Gain / (Loss)	
	+100 bps	-100 bps
	(in thousands of euros)	
Finance leases	48	(74)
Other financing	992	(992)
Total	**1,040**	**(1,066)**

3. FINANCIAL RISK MANAGEMENT (Continued)

A sensitivity analysis is set forth below, in which the impact of an increase/decrease in the exchange rates of the currencies in which the Group primarily operates on the profit or loss for the period is presented:

	Year ended December 31, 2016											
	USD		GBP		YEN		CNY		BRL		OTHER	
	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	-10%	+10%	- 10%	+ 10%	- 10%
	(in thousands of euros)											
Trade receivables	1,765	(2,157)	899	(1,099)	63	(77)	(140)	171	2,019	(2,468)	41	(50)
Trade payables	(3,231)	3,949	(10)	12	251	(307)	—	—	(1,470)	1,797	—	—
Financial receivables	—	—	2	(3)	—	—	125	(153)	—	—	1	(2)
Currency derivatives	(2,838)	3,467	(567)	683	—	—	—	—	—	—	—	—
Total	**(4,304)**	**5,259**	**324**	**(407)**	**314**	**(384)**	**(15)**	**18**	**549**	**(671)**	**42**	**(52)**

	Year ended December 31, 2015									
	USD		GBP		YEN		CHF		BRL	
	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%
	(in thousands of euros)									
Trade receivables	392	(479)	377	(460)	—	—	72	(88)	1,553	(1,898)
Trade payables	(2)	2	(7)	8	(7)	8	—	—	(1,161)	1,419
Financial receivables	—	—	1	(1)	—	—	(12)	15	—	—
Currency derivatives	(2,798)	3,404	(397)	484	—	—	—	—	—	—
Total	**(2,408)**	**2,927**	**(26)**	**31**	**(7)**	**8**	**60**	**(73)**	**392**	**(479)**

3.2 CREDIT RISK

The credit risk essentially coincides with the amount of trade receivables recognized at the reporting dates. The Group has no significant concentration of credit risk and no customers that alone account for more than 0.45% of the Group's sales revenues.

All the same, procedures are in place to ensure that the sales of products and services are conducted with customers that have shown to be reliable in the past; moreover, insurance policies are stipulated to cover any unexpected losses. The Group also checks constantly its outstanding receivables, and monitors their collection within the established time limits.

The parties that handle cash and financial resource management are restricted to high-profile, reliable partners.

The following tables set forth an aging analysis of the trade receivables as of December 31, 2016 and 2015, with separate indication of the provision for doubtful debts:

	As of December 31, 2016						
	Falling due	Past-due				Provision for doubtful debts	Total
		0-30	31-60	61-90	more than 90		
	(in thousands of euros)						
Trade receivables	219,440	17,664	6,746	3,387	15,499	(14,004)	248,732
Total	**219,440**	**17,664**	**6,746**	**3,387**	**15,499**	**(14,004)**	**248,732**

3. FINANCIAL RISK MANAGEMENT (Continued)

	As of December 31, 2015						
	Falling due	Past-due				Provision for doubtful debts	Total
		0-30	31-60	61-90	more than 90		
		(in thousands of euros)					
Trade receivables	226,813	17,053	6,298	1,903	14,863	(13,575)	253,355
Total	**226,813**	**17,053**	**6,298**	**1,903**	**14,863**	**(13,575)**	**253,355**

3.3 LIQUIDITY RISK

Liquidity risk concerns the ability to meet obligations arising on financial liabilities. Prudent management of the liquidity risk stemming from the Group's ordinary operating activities entails keeping up sufficient levels of cash holdings, short-term securities and funding available through adequate credit lines. The Group must have adequate stand-by credit lines in order to finalize contracts and collect invoices, to an extent that ensures financial flexibility. Management monitors the projections of cash turnover, including undrawn credit lines, and available cash and cash equivalents on the basis of expected cash flows.

As of December 31, 2016, the Group had stipulated credit lines of 322,495 thousand euros, including 114,675 thousand euros undrawn.

The following tables set forth a maturity analysis of the financial liabilities as of December 31, 2016 and 2015. The maturities are based on the period from the reporting date to the contractual maturity date of the obligations.

	As of December 31, 2016				
	On demand	Within 1 year	From 1 to 5 years	Due after 5 years	Total
		(in thousands of euros)			
Currency derivatives		1,168	—	—	**1,168**
Finance leases		(2,018)	(965)	(3,015)	**(5,998)**
Other financing		(54,357)	(79,884)	—	**(134,241)**
Trade payables	—	(211,259)	—	—	**(211,259)**
Total	**—**	**(266,466)**	**(80,849)**	**(3,015)**	**(350,330)**

	As of December 31, 2015				
	On demand	Within 1 year	From 1 to 5 years	Due after 5 years	Total
		(in thousands of euros)			
					—
Currency derivatives		776			**776**
Finance leases		(2,551)	(2,720)	(3,275)	**(8,546)**
Other financing		(51,113)	(104,213)		**(155,326)**
Trade payables	—	(222,972)			**(222,972)**
Total	**—**	**(275,860)**	**(106,933)**	**(3,275)**	**(386,068)**

3.4 EQUITY RISK

The Group's objective in the area of equity risk management is primarily to maintain the going concern status in order to assure returns to shareholders and benefits to other stakeholders. The Group also has the objective of maintaining an optimal capital structure in order to reduce the cost of debt.

The Group monitors equity through the ratio of net financial debt to net invested capital ("gearing ratio"). Net invested capital is calculated as the sum of equity and net financial debt.

3. FINANCIAL RISK MANAGEMENT (Continued)

Below is the breakdown of the Group's net financial debt as of December 31, 2016 and 2015, determined in accordance with Committee of European Securities Regulators (CESR) Recommendation no. 05/054b, Paragraph 127, for implementation of EC Regulation no. 809/2004, and the gearing ratio as of December 31, 2016 and 2015:

		As of December 31, 2016	As of December 31, 2015
		(in thousands of euros)	
A	Cash holdings	147	130
B	Other current holdings	33,919	30,577
C	Securities held for trading	—	—
D	**Cash and cash equivalents (A+B+C)**	**34,066**	**30,707**
E	**Non-current financial receivables**	**81**	
F	**Current financial receivables**	**6,029**	**6,377**
G	Current financial debt	(28,425)	(51,526)
H	Current portion of non-current financial debt	(56,375)	(53,665)
I	Other current financial debt	(429)	(16)
J	**Current financial indebtedness (G+H+I)**	**(85,229)**	**(105,207)**
K	**Net current financial indebtedness**	**(45,053)**	**(68,123)**
L	Non-current financial debt	(83,864)	(110,208)
M	Bonds issued	—	—
N	Other non-current financial debt	—	—
O	**Non-current financial indebtedness (L+M+N)**	**(83,864)**	**(110,208)**
P	**Net financial indebtedness (K+O)**	**(128,917)**	**(178,331)**
	Net invested working capital	549,948	538,059
	Gearing ratio	23.44%	33.14%

3. Financial risk management (Continued)

3.5 Financial assets and financial liabilities by category

The following table presents the financial assets and liabilities aggregated by category with their fair values stated.

	As of December 31, 2016	
	Fair value through profit or loss	Loans and receivables
	(in thousands of euros)	
Financial assets	—	81
Non-current assets	**—**	**81**
Trade receivables	—	248,732
Financial assets	—	4,432
Cash and cash equivalents	—	34,066
Current derivatives	1,597	—
Current assets	**1,597**	**287,230**
Non-current amounts due to banks and other lenders	—	83,864
Non-current liabilities	**—**	**83,864**
Trade payables	—	211,259
Current amounts due to banks and other lenders	—	84,800
Current derivatives	429	—
Current liabilities	**429**	**296,059**

	As of December 31, 2015	
	Fair value through profit or loss	Loans and receivables
	(in thousands of euros)	
Financial assets	—	—
Non-current assets	**—**	**—**
Trade receivables	—	253,355
Financial assets	—	5,585
Cash and cash equivalents	—	30,707
Current derivatives	792	—
Current assets	**792**	**289,647**
Non-current amounts due to banks and other lenders	—	110,208
Non-current liabilities	**—**	**110,208**
Trade payables	—	222,972
Current amounts due to banks and other lenders	—	105,191
Current derivatives	16	—
Current liabilities	**16**	**328,163**

The fair value of the derivatives was determined using valuation techniques based on observable inputs in active markets (level 2).

4. Use of estimates and assumptions

The preparation of financial statements requires management to apply accounting policies and methodologies that, in some cases, depend upon difficult or subjective assessments and estimates based on experience and assumptions deemed reasonable and realistic given the specific circumstances involved.

4. USE OF ESTIMATES AND ASSUMPTIONS (Continued)

Application of such estimates and assumptions affects the figures reported in the consolidated financial statements, including the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the related explanatory notes. The final results of the items for which such estimates and assumptions have been made may vary from those reported in the financial statements that show the effects of the occurrence of the event subject to the estimate, due to the uncertainty that characterizes the assumptions and the conditions on which the estimates were based.

The following is a brief description of the accounting policies that entail the greatest extent of management subjectivity in calculating estimates, and for which a change in the underlying conditions and assumptions could have a significant impact on the consolidated financial statements.

(a) Provision for doubtful debts

The provision for doubtful debts reflects management's best estimate of the losses on the total trade receivables. The estimate is based on the Group's expectations of losses, determined according to past experience with similar receivables, current and previous past-due statistics, careful monitoring of credit quality and projections of economic and market conditions.

(b) Provision for inventory obsolescence

The provision for inventory obsolescence reflects management's best estimate of the losses expected by the Group, determined on the basis of past experience, past trends and expected market trends.

(c) Income taxes

Deferred tax assets are recognized on the basis of expectations of future earnings. The assessment of expected earnings for the purpose of recognizing deferred taxes depends on factors that may vary over time and may have a significant impact on the measurement of deferred tax assets.

(d) Provision for warranty claims

The provision recognized for product warranty claims represents management's best estimate at the reporting date. The estimate entails making assumptions that depend on factors that may vary over time and may have a significant impact with respect to the current estimates made by management for the preparation of the Group's financial statements.

(e) Goodwill and fixed assets

Goodwill and fixed assets recognized in the consolidated financial statements are tested for impairment by calculating the value in use of the cash generating units ("CGU") to which goodwill has been allocated. Using different methods for the different business segments, the Fedrigoni Group conducted testing in which goodwill was allocated to a group of CGU that benefit from the synergies of the specific business combination (in accordance with IAS 36, paragraph 80).

The CGU/groups of CGU were identified, consistently with the Group's organizational and business structure, as uniform combinations able to generate cash flows independently from the continuing use of the assets allocated to them; the structures were grouped together at a regional level to identify the benefits deriving from the synergies.

Value in use was measured as the present value of the estimated future cash flows for each CGU in its current condition, excluding estimated future cash flows that could derive from future restructuring plans or other structural changes.

The Discounted Cash Flow (DCF) model was used, which requires future cash flows to be discounted with a risk-adjusted discount rate.

4. Use of estimates and assumptions (Continued)

More information is reported in the Notes on impairment losses and intangible assets.

The 2017-2020 business plan prepared by the Group's management on the basis of the 2017-2019 business plans prepared by the subsidiaries' management and approved by the Group's management, used for the impairment testing, is based on variables controllable by the Group's management and theoretical changes in exogenous variables not directly controllable or manageable by the Group's management.

If the main estimates and assumptions used to prepare the business plans should change, the value in use and the calculation of the recoverable value of the assets could change. Therefore, the Group is not able to assure that the assets disclosed in the financial statements as of December 31, 2016 will not suffer an impairment loss in the future.

5. Segment reporting

The criteria used to identify segments are consistent with the way in which the Group is managed. The division into segments for reporting purposes corresponds to the structure of the reports periodically examined by management.

The Fedrigoni Group's operations are split into two dedicated segments: Paper and Security, and Converting (self-adhesive products).

The Group's management evaluates the performance these segments, using the following as indicators:

- EBITDA;
- revenues by geographical segment, on the basis of where the products are sold, not where the billing company's office is located;
- investments in property, plant and equipment.

5. SEGMENT REPORTING (Continued)

The following tables break down EBITDA by segment, reconciled with the Group net profit.

2016:

	Year ended December 31, 2016				
	Paper and Security	Converting	Intercompany eliminations	Other	Total
	(in thousands of euros)				
Revenues from sales					
to third parties	732,745	321,889	—	—	1,054,634
to other Group companies	31,040	7,121	(38,161)	—	—
Total sales revenues	763,785	329,010	(38,161)	—	1,054,634
Other operating income	7,696	2,267	(571)	—	9,392
Operating expenses	(664,888)	(296,401)	38,825	(2,099)	(924,563)
Earthquake expenses	1,439	—	—	—	1,439
Non-recurring expenses from white certificates	1,860	—	—	—	1,860
Earthquake insurance refund income	(2,000)	—	—	—	(2,000)
EBITDA(*)	**107,892**	**34,876**	**93**	**(2,099)**	**140,762**
Earthquake expenses	(1,439)	—	—	—	(1,439)
Non-recurring expenses from white certificates	(1,860)	—	—	—	(1,860)
Fire insurance refund income	2,000	—	—	—	2,000
Depreciation, amortization and impairment losses					(43,288)
Operating income					**96,175**
Income from equity-accounted investments in associates					130
Financial income					17,169
Finance costs					(19,868)
Profit before tax					**93,606**
Income taxes					(30,076)
Net profit					**63,530**

5. SEGMENT REPORTING (Continued)

2015:

	Year ended December 31, 2015				
	Paper and Security	Converting	Intercompany eliminations	Other	Total
			(in thousands of euros)		
Revenues from sales					
to third parties	680,497	296,484	—	—	976,981
to other Group companies	22,955	3,044	(25,999)	—	—
Total sales revenues	703,452	299,528	(25,999)	—	976,981
Other operating income	16,369	1,685	(1,181)	—	16,873
Operating expenses	(630,218)	(267,106)	27,077	(1,942)	(872,189)
Non-recurring expenses from the fire	2,403	—	—	—	2,403
Non-recurring expenses from white certificates	4,706	—	—	—	4,706
Fire insurance refund income	(8,150)				(8,150)
EBITDA(*)	**88,562**	**34,107**	**(103)**	**(1,942)**	**120,624**
Non-recurring expenses from the fire	(2,403)	—	—	—	(2,403)
Non-recurring expenses from white certificates	(4,706)	—	—	—	(4,706)
Fire insurance refund income	8,150	—	—	—	8,150
Depreciation, amortization and impairment losses					(36,814)
Operating income					**84,851**
Income from equity-accounted investments in associates					426
Financial income					16,939
Finance costs					(19,418)
Profit before tax					**82,798**
Income taxes					(25,021)
Net profit					**57,777**

(*) EBITDA is defined by the Group as operating income before depreciation, amortization, impairment losses, and any non-recurring income and costs. EBITDA is not identified as an accounting measurement in IFRS and should therefore not be considered as alternative to the disclosures provided in the financial statements for the purpose of assessing the Group's performance.
The Company believes that EBITDA is an important variable for evaluating the Group's performance, allowing it to be monitored in a more analytical fashion. Because this information is not a measurement governed by the accounting standards followed in the Group's financial statements, the criteria used to determine it may not be consistent with those used by other groups and it should therefore not be compared with similar figures presented by such groups.

Shared unallocated costs ("Other") are a marginal amount referring to the Group's management structure. Each Segment has a complete and independent structure, able to fulfill its own functions. Eliminations mostly refer to inter-Segment margins eliminated during the aggregation phase. Transactions between the Segments are conducted at arm's length. "Earthquake expenses" refers to costs incurred in relation to the earthquake that hit the Marches region in Fall 2016, recognized in the income statement. "Expenses from white (i.e. renewable energy performance) certificates refer to the portion of white certificates required by the relevant authorities to be refunded; after careful analysis, the project for which the certificates had been reported and assigned, and then sold by the Company in the respective market, was no longer considered feasible by such authorities. "Earthquake insurance refund income" refers to the advance compensation received from the insurance company against the expenses incurred for the earthquake.

5. SEGMENT REPORTING (Continued)

Revenues are broken down below by geographical area:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Italy	314,955	326,485
Rest of Europe	394,358	370,838
Rest of World	345,321	279,658
Total	**1,054,634**	**976,981**

Below is the breakdown by segment of the investments in property, plant and equipment:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Paper and Security Segment	36,189	25,955
Converting Segment	6,308	6,596
Total	**42,497**	**32,551**

6. Property, plant and equipment

The changes in this item are detailed below.

	Land and buildings	Plant and machinery	Equipment	Other fixed assets	Work in progress and advances	Total
			(in thousands of euros)			
Balance as of January 1, 2015						
—Historical cost	212,628	555,881	16,148	15,481	5,178	805,316
—Accumulated depreciation	(76,718)	(428,798)	(10,255)	(12,632)	—	(528,403)
Net value	**135,910**	**127,083**	**5,893**	**2,850**	**5,178**	**276,913**
Changes:						
—Investments	4,437	22,804	1,053	989	3,268	32,551
—Disposals	(307)	(1,524)	—	(92)	—	(1,923)
—Depreciation	(5,490)	(25,688)	(1,062)	(811)	—	(33,051)
—Business combinations	6,688	27,661	57	961	574	35,941
—Impairment losses	—	—	—	—	—	—
—Exchange differences and reclassifications	(2,503)	(1,634)	(10)	(167)	(5,249)	(9,563)
Total changes	**2,825**	**21,619**	**38**	**880**	**(1,407)**	**23,955**
Balance as of December 31, 2015	**138,735**	**148,702**	**5,931**	**3,729**	**3,771**	**300,868**
Of which:						
—Historical cost	224,574	623,475	18,484	18,879	3,771	889,183
—Accumulated depreciation	(85,839)	(474,773)	(12,553)	(15,150)		(588,315)
Net value	**138,735**	**148,702**	**5,931**	**3,729**	**3,771**	**300,868**
Changes:						
—Investments	3,131	21,588	1,813	1,155	14,810	42,497
—Disposals	(28)	(983)	(1)	(50)	—	(1,062)
—Depreciation	(5,922)	(26,222)	(1,203)	(1,010)	—	(34,357)
—Business combinations	—	—	—	2	—	2
—Impairment losses	(232)	(1,896)	—	—	(1,691)	(3,819)
—Exchange differences and reclassifications	2,986	12,961	29	335	(7,848)	8,463
Total changes	**(65)**	**5,448**	**638**	**432**	**5,271**	**11,724**
Balance as of December 31, 2016	**138,670**	**154,150**	**6,569**	**4,161**	**9,042**	**312,592**
Of which:						
—Historical cost	231,743	657,810	19,305	20,031	9,042	937,931
—Accumulated depreciation	(93,073)	(503,660)	(12,736)	(15,870)	—	(625,339)
Net value	**138,670**	**154,150**	**6,569**	**4,161**	**9,042**	**312,592**

The following table presents the net value of assets under finance leases at the respective reporting dates.

	Year ended December 31, 2016	Year ended December 31, 2015
	(in thousands of euros)	
Land and buildings	15,898	17,310
Plant and machinery	2,021	2,481
Total(*)	**17,919**	**19,791**

(*) refers to carrying amount of assets under finance leases still in effect.

6. Property, plant and equipment (Continued)

Cash flows relating to assets under finance leases are as follows:

	Year ended December 31, 2016	2015
	(in thousands of euros)	
Minimum lease payments due		
Within 12 months	2,237	2,829
From 1 to 5 years	1,700	3,509
After 5 years	3,785	4,210
Future finance costs	(1,724)	(2,002)
Present value of lease obligation	**5,998**	**8,546**

In the year ended December 31, 2016 the Group made new investments of 42,497 thousand euros, mainly for: *i)* expansion of the Paper and Security Segment equipment in order to boost production capacity; *ii)* enhancement of installation capacity; *ii)* replacement of a gas turbine of the co-generation system at the Arco plant; *iv)* a new winding machine at the Arconvert S.p.A. plant. The renovation processes and new investments in Fedrigoni Brasil Papeis Ltda and GPA Holding Company Inc. were continued in order to raise production capacity in both the Converting and Paper and Security Segments.

The annual disposals are attributable to the continuous process of optimizing the production equipment with alterations, replacement of machine parts and additions of new equipment.

On October 26, 2016, the earthquake that struck the Marches region very seriously damaged part of the Pioraco (Macerata) plant, causing the vaulted ceiling and the metal structures supporting the bridge crane to collapse, and creating obstructions to the premises where the continuous paper manufacturing machinery is located. Some buildings located in Fabriano (Ancona) were also damaged.

The difficulties were magnified by the extent of the earthquake and the number of towns hit. The rubble began to be removed only in January 2017, after the sites to which it could be brought were identified.

Part of the manufacturing planned at the plant damaged by the earthquake was transferred to other facilities of the Group.

The expenses, part of which are estimated, ensuing from the implementation of safety measures, demolition and rubble removal are summarized in the table hereunder. Writedowns of 2,128 thousand euros regard buildings and portions of machinery damaged by the earthquake, and 1,439 thousand euros regards the effect on income of the higher non-recurring costs incurred for such activities.

	Writedown Historical cost	Use Accumulated depreciation	Total non-recurring costs
Buildings	444	212	232
Plant and machinery	4,608	2,712	1,896
TOTAL	**5,052**	**2,924**	**2,128**
Scrapping of machinery spare parts			225
External labor			291
Transportation			70
Other expenses			353
Charge to expense provision			500
TOTAL			**3,567**

The insurance company paid advance compensation of 2,000 thousand euros classified as “other operating income”.

6. Property, plant and equipment (Continued)

The 1,691 thousand euro writedown refers to an advance paid to an equipment supplier undergoing bankruptcy.

Work in progress and advances consist of the costs incurred for equipment not used yet and advances granted to suppliers.

As of December 31, 2016, excluding the assets under finance leases, no property, plant or equipment was put up as collateral on loans received by the Group.

7. Intangible assets

The changes in this item are detailed below.

	Patent and intellectual property rights	Concessions, licenses and trademarks	Other intangible assets	Goodwill	Work in progress and advances	Total
			(in thousands of euros)			
Balance as of January 1, 2015	**2,537**	**45**	**615**	**—**	**354**	**3,551**
Changes:						
—Investments	698	110	100	—	21	929
—Disposals	—	—	—	—	—	—
—Business combinations	—	9,138	25,995	34,523		69,656
—Amortization	(1,143)	(546)	(2,026)	—	—	(3,715)
—Impairment losses	—	—	—	—	—	—
—Exchange differences and reclassifications	(33)	(545)	(1,581)	(3,599)		(5,758)
Total changes	**(478)**	**8,157**	**22,488**	**30,924**	**21**	**61,112**
Balance as of December 31, 2015	**2,059**	**8,202**	**23,103**	**30,924**	**375**	**64,663**
Changes:						
—Investments	1,278	269	—	—	354	1,901
—Disposals	—	—	—	—	—	—
—Business combinations	—	—	369	—	—	369
—Amortization	(1,003)	(797)	(3,014)	—	—	(4,814)
—Impairment losses	—	—	—	—	—	—
—Exchange differences and reclassifications	371	668	1,739	4,334	(375)	6,737
Total changes	**646**	**140**	**(906)**	**4,334**	**(21)**	**4,193**
Balance as of December 31, 2016	**2,705**	**8,342**	**22,197**	**35,258**	**354**	**68,856**

Investments made in intangible assets in the year ended December 31, 2016 amounted to 1,901 thousand euros, and consist mostly of external costs incurred to purchase software and costs incurred to customize the software.

7. Intangible assets (Continued)

"Business combinations" refers to key money paid when subsidiary Concept Couleurs Sàrl, which operates a store in Geneva, was acquired.

Goodwill as of December 31, 2016 is set forth by Segment below:

	Dec. 31, 2016	%
	(in thousands of euros)	
Converting	5,418	15%
Paper and Security	29,840	85%
Total	**35,258**	**100%**

Impairment testing

As required by IAS 36, the Fedrigoni Group tested the carrying amounts of the tangible and intangible assets recognized in its consolidated financial statements as of December 31, 2016 with respect to their recoverable amounts. Goodwill is tested for impairment at least annually, even when no indications of impairment losses are present.

In accordance with IAS 36, the Fedrigoni Group identified the CGU representing the smallest identifiable group of assets able to generate largely independent cash inflows within the consolidated financial statements. CGU were identified by taking into account the organizational structure, the type of business and the methods with which control is exercised over the operation of the CGU.

The CGU identified by the Group to monitor goodwill operate and/or coincide with the legal entities to which the goodwill was allocated upon acquisition, since they benefit from the synergies of the business combination.

The CGU in which goodwill is recognized/allocated, on which the impairment testing was based, are as follows:

- 18,615 thousand euros—Brazil Paper and Security CGU;
- 11,224 thousand euros—U.S.A. Paper and Security CGU;
- 5,418 thousand euros—U.S.A. Converting CGU.

The assets were tested for impairment by comparing the carrying amount attributed to the CGU, including goodwill, with its recoverable amount (value in use). The value in use is the present value of the estimated future cash flows to be derived from continuing use of the assets referring to the cash generating units and the terminal value allocated to them.

In conducting the impairment test, the Fedrigoni Group used the most recent financial budgets/forecasts for the 2017-2020 period (as described in the section on the use of estimates), assuming that its assumptions were reliable and its budget targets would be reached. In preparing its projections, management made assumptions based on past experience and expectations of the development of the business segments in which the Group operates.

The terminal value was calculating by using a growth (g) rate of 2.3% for the CGU operating in Brazil and 2.0% for the CGU operating in the U.S.A., in line with the average growth rate of the countries in which the CGU operate.

The discount rate used (WACC) reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate for the assets in Brazil, net of taxes, is 13.04%, and for the assets in the U.S.A. is 5.28%.

No impairment loss emerged from the impairment test conducted.

Since the recoverable amount is determined on the basis of estimates, the Group is not able to assure that goodwill will not suffer an impairment loss in future periods.

7. Intangible assets (Continued)

In addition, the Group performed sensitivity analysis using deteriorated variables of the impairment test, WAAC and g rate. The discount rate was raised by one percent, and the g rate of the terminal value was reduced by one percent. No impairment loss emerged, even in unfavorable market conditions, from the sensitivity analysis conducted for the Brazil Paper and Security CGU and the U.S.A. Converting CGU. The U.S.A. Paper and Security CGU did indicate potential impairment losses in the case of the combined effect of the variables submitted to the sensitivity analysis.

8. Investment property

The changes in this item are detailed below.

	Land and buildings
	(in thousands of euros)
—Historical cost	1,610
—Accumulated depreciation	(600)
Balance as of January 1, 2016	**1,010**
Changes:	
—Reclassification of accumulated depreciation	(188)
—Writedown	(260)
—Depreciation	(38)
Total changes	**(486)**
Balance as of December 31, 2016	**524**
Of which:	
—Historical cost	1,168
—Accumulated depreciation	(644)
Net value	**524**

Some buildings were damaged by the earthquake, so their values were written down for a total amount of 260 thousand euros.

9. Equity-accounted investments in associates

This item (2,266 thousand euros) is represented by the investment in Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l., an entity that produces hydroelectric power, in which the Group owns a 25% stake. At the time of preparation of the consolidated financial statements, the financial statements of Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l. had not been approved by its Board of Directors yet.

The key financial information relating to the most recent approved financial statements is provided below.

	As of December 31, 2015
	(in thousands of euros)
Assets	18,541
Liabilities	8,241
Revenues	3,621

10. Tax credits

This item is detailed below:

	As of December 31,					
	2016			2015		
	Non-current	Current	Total	Non-current	Current	Total
	(in thousands of euros)					
Tax credits	3,650	845	4,495	3,807	2,913	6,720
Total	**3,650**	**845**	**4,495**	**3,807**	**2,913**	**6,720**

The non-current tax credits include 3,650 thousand euros referring to a corporate income tax ("IRES") refund claim regarding years 2007 to 2011 for regional business tax ("IRAP") paid on personnel costs and not deducted for IRES purposes pursuant to Law Decree no. 201, Article 2, paragraph 1 quarter of December 6, 2011 and Italian Revenue Agency Director Provision no. 2012/140973 of December 17, 2012.

The current tax credits consist mainly of the remaining portion of the tax credit relating to a tax bonus on investments (under the "Tremonti-*quater*" law). The current tax credits decreased because the Group had a debit balance for the annual taxes of 2016, whereas it had a credit balance for the previous year.

11. Deferred tax assets and liabilities

This item is detailed below:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Deferred tax assets		
Deferred tax assets recoverable	22,935	18,139
Total deferred tax assets	**22,935**	**18,139**
Deferred tax liabilities		
Deferred tax liabilities to be settled	(24,347)	(23,799)
Total deferred tax liabilities	**(24,347)**	**(23,799)**
Total net deferred tax assets/(liabilities)	**(1,412)**	**(5,660)**

11. Deferred tax assets and liabilities (Continued)

The composition of these balances is shown below:

	As of December 31, 2015	Reclassifications	As of December 31, 2015	Effect on Income Statement	Effect on Statement of Comprehensive Income	As of December 31, 2016
			(in thousands of euros)			
Elimination of capital gains on intercompany sales of trademarks and land	1,272	1,471	2,743	(326)	—	2,417
Inventory valuation	5,126	804	5,930	396	172	6,498
Valuation of trade receivables	2,246	46	2,292	(21)	22	2,293
Provisions for risks and charges	2,153	1,007	3,160	2,147	242	5,549
Difference between fiscal and statutory values of tangible and intangible assets	2,420	781	3,201	(760)	210	2,651
Tax losses	2,600	(1,167)	1,433	(91)	195	1,537
Other	2,322	(864)	1,458	331	201	1,990
Total deferred tax assets	**18,139**	**2,078**	**20,217**	**1,676**	**1,042**	**22,935**

	As of December 31, 2015	Reclassifications	As of December 31, 2015	Effect on Income Statement	Effect on Statement of Comprehensive Income	As of December 31, 2016
			(in thousands of euros)			
Valuation of tangible and intangible assets	10,699	3,404	14,103	(1,160)	619	13,562
Effect of lease-back transaction	9,031	—	9,031	(480)	—	8,551
Recognition of finance leases	2,707	7	2,714	(109)	—	2,605
Actualization of employee benefits	(143)	(17)	(160)	(28)	(342)	(530)
Actualization of social security liabilities	125	(1)	124	(31)	—	93
Exchange differences and other	1,380	(1,317)	63	(3)	—	60
Derivative fair values	—	2	2	4	—	6
Total deferred tax liabilities	**23,799**	**2,078**	**25,877**	**(1,807)**	**277**	**24,347**

As of December 31, 2016 the tax-deferred reserves were 20,050 thousand euros, which in the event of distribution becomes taxable income. No distribution or related use of such reserves is foreseen that could result in taxation, so corresponding deferred tax liabilities were not accounted for in the financial statements.

The reclassifications result from a more careful analysis of the nature of the deferred tax assets and liabilities.

Deferred tax assets were not recognized for the tax losses of 24,916 thousand euros as of December 31, 2016 (12,394 thousand euros as of December 31, 2015), accrued by some foreign companies, because the availability of future profits to enable their recovery was not deemed probable.

12. Trade receivables

	As of December 31, 2016	As of December 31, 2015
	(in thousands of euros)	
Gross trade receivables	262,736	266,930
Provision for doubtful debts	(14,004)	(13,575)
Net trade receivables	**248,732**	**253,355**

The decrease in trade receivables is related to the larger share of sales abroad and sales in the Paper and Security Segment, both of which feature better collection terms.

The table below presents the changes in the provision for doubtful debts:

	As of December 31, 2016	As of December 31, 2015
	(in thousands of euros)	
Balance at beginning of the period	**13,575**	**15,044**
Changes:		
—Charge	3,152	3,491
—Use	(3,121)	(4,335)
—Business combinations	—	143
—Exchange differences	398	(768)
Total changes	**429**	**(1,469)**
Balance at end of the period	**14,004**	**13,575**

13. Other assets

“Other assets” is stated in the financial statements net of the related provisions:

	As of December 31, 2016	As of December 31, 2015
	(in thousands of euros)	
Other assets—gross	25,043	24,464
Provision for other doubtful debts	(812)	(127)
Other assets—net	**24,231**	**24,337**

The item is detailed below:

	As of December 31, 2016	As of December 31, 2015
	(in thousands of euros)	
Other assets—gross		
—Sundry receivables	4,527	9,791
—Sundry tax credits	680	741
—Prepaid expenses and accrued income	2,596	2,436
—VAT credit	12,055	7,932
—Credit for grants receivable	483	422
—Security deposits	3,484	2,603
—Due from social security entities	337	288
—Due from employees	69	124
Total other assets	**24,231**	**24,337**
Of which: non-current	4,986	3,880

13. Other assets (Continued)

The sundry receivables include 1,006 thousand euros deriving from the sale of white certificates and 2,662 thousand euros for advances to suppliers.

In the previous year the sundry receivables included 6,650 thousand euros deriving from the insurance refund for damages caused by the 2015 fire at the Verona plant.

The VAT credit regards mainly Fedrigoni Brasil Papeis Ltda (11,499 thousand euros).

The table below presents the changes in the provision for other doubtful debts:

	As of December 31,	
	2016	2015
	(in thousands of euros)	
Balance at beginning of the period	**127**	**480**
Changes:		
—Charge	698	—
—Use	(13)	(353)
Total changes	**685**	**(353)**
Balance at end of the period	**812**	**127**

The increase in the provision for other doubtful debts refers primarily (648 thousand euros) to the amount charged for accounting difficulties regarding some energy efficiency projects (white certificates).

14. Inventories

This item is detailed below:

	As of December 31,	
	2016	2015
	(in thousands of euros)	
Raw materials	75,253	72,165
Work in progress and semi-finished goods	31,496	33,645
Finished products	90,976	80,680
Total	**197,725**	**186,490**

The inventory increase is the result of the sales and procurement policies followed during the year to defend prices and margins.

Inventories are shown net of the provision for inventory obsolescence as detailed below:

	Provision for raw material obsolescence	Provision for obsolescence of semi-finished goods and finished products	Total
		(in thousands of euros)	
As of December 31, 2014	**3,817**	**7,379**	**11,196**
Charge	596	1,214	1,810
Use	(151)	(571)	(722)
Business combinations	966	1,143	2,109
Exchange differences	(333)	(144)	477
As of December 31, 2015	**4,895**	**9,021**	**13,916**
Charge	975	1,380	2,355
Use	(370)	(1,069)	(1,439)
Exchange differences	219	236	455
As of December 31, 2016	**5,719**	**9,568**	**15,287**

14. Inventories (Continued)

The increase in the provision is due primarily to itemized writedowns made at the Pioraco plant pursuant to the earthquake damages.

No inventories were put up as collateral to guarantee loans received by the Group.

15. Financial assets

This item is detailed below:

	As of December 31,					
	2016			2015		
	Non-current	Current	Total	Non-current	Current	Total
	(in thousands of euros)					
Financial assets	81	4,432	4,513	—	5,585	5,585
Total	**81**	**4,432**	**4,513**	**—**	**5,585**	**5,585**

The current financial assets refer to the amount due from the Parent company deriving from an intercompany cash pool account (4,432 thousand euros as of December 31, 2016 and 5,585 thousand euros as of December 31, 2015). The non-current financial assets included a loan bearing 2% interest granted to associate Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l., whose repayment is expected in 2021.

16. Cash and cash equivalents

This item is detailed below:

	As of December 31,	
	2016	2015
	(in thousands of euros)	
Bank deposits	33,890	30,561
Checks outstanding	29	16
Cash and cash equivalents on hand	147	130
Total	**34,066**	**30,707**

There are no restrictions on the use of the cash and cash equivalents balance.

17. Derivatives

Information on derivatives is provided in Note 3.1.

18. Equity

The equity as of December 31, 2016 is set forth below:

	As of December 31, 2016
	(in thousands of euros)
Share capital	40,000
Share premium reserve	51,829
Other reserves	246,886
Retained earnings	82,316
Equity	**421,031**

The share capital was 40,000,220 as of December 31, 2016, consisting of 80,000,440 ordinary shares with a par value of Euro 0.50 per share.

19. Due to banks and other lenders

This item is detailed below:

	As of December 31, 2016							
	Interest rate	Current portion	Portion due after 12 months					Total
			2018	2019	2020	2021	Afterward	
			(in thousands of euros)					
Current financial debt		28,425	—	—	—	—	—	**28,425**
Finance leases	Variable	2,018	224	234	247	260	3,015	**5,998**
Other financing	Variable	54,357	44,093	22,513	10,775	2,503	—	**134,241**
Total		**84,800**	**44,317**	**22,747**	**11,022**	**2,763**	**3,015**	**168,664**

	As of December 31, 2015							
	Interest rate	Current portion	Portion due after 12 months					Total
			2017	2018	2019	2020	Afterward	
			(in thousands of euros)					
Current financial debt		51,527	—	—	—	—	—	**51,527**
Finance leases	Variable	2,551	2,017	222	234	247	3,275	**8,546**
Other financing	Variable	51,113	54,344	34,134	9,985	5,750	—	**155,326**
Total		**105,191**	**56,361**	**34,356**	**10,219**	**5,996**	**3,275**	**215,399**

Current financial debt

As of December 31, 2016 the current financial debt was 28,425 thousand euros (51,527 thousand euros as of December 31, 2015). The amounts refer to bank accounts and financial instruments used by Group companies to manage short-term cash flow requirements.

Finance leases

The amount of 5,998 thousand euros as of December 31, 2016 (8,546 thousand euros as of December 31, 2015) represents the remaining balance at each reporting date on finance leases stipulated by the Group.

Other financing

The amount of 134,241 thousand euros as of December 31, 2016 (155,326 thousand euros as of December 31, 2015) represents the remaining balance at each reporting date on loans granted by banks to Group companies.

A loan of 3,750 thousand euros was granted to Arconvert SA in October 2014, repayable in 36 monthly installments starting from October 2014; variable interest is charged at the 6m Euribor plus a spread of 219 bp until September 2017. The remaining balance as of December 31, 2016 is 938 thousand euros.

19. Due to banks and other lenders (Continued)

The changes in the other financing granted to Fedrigoni S.p.A. during the year were as follows:

	2015	Increases	Repayments	2016	Maturity
			(in thousands of euros)		
Credito Emiliano	6,708	—	(3,339)	3,369	Jan. 11, 2017
Banca Popolare di Verona	13,125	—	(3,750)	9,375	June 30, 2019
Banca Popolare di Verona	—	10,000	—	10,000	July 31, 2019
Unicredit	25,000	—	(10,000)	15,000	May 20, 2018
Cariveneto	18,000	—	(4,000)	14,000	May 18, 2020
Barclays Bank	20,000	—	—	20,000	Aug. 16, 2018
Banca Sella	364	—	(125)	239	Oct. 31, 2018
Banca Sella	4,646	—	(1,420)	3,226	March 31, 2019
Banca BNL	20,000	—	(20,000)	—	Dec. 9, 2016
Banca BNL	20,000	—	(3,333)	16,667	March 31, 2018
MPS	15,000	—	—	15,000	Dec. 31, 2020
Credito Valtellinese	10,000	—	(3,606)	6,394	July 5, 2018
Factor GE Capital	282	14,613	(14,895)	—	N/A
UBI	—	20,000	—	20,000	Feb. 26, 2020
Total other financing	**153,125**	**44,613**	**(64,468)**	**133,270**	

The variable interest rate charged on the financing is the 3m Euribor plus a spread ranging from 60 to 140 bps.

For some loans, the Group is required under covenants to maintain the following financial ratios:

	Covenants
Credito Emiliano	Debt/gross profit < 3.50; Gross profit/interest expense > 5.10
Banca Popolare di Verona	Debt/Ebitda < 3.00;<3.60
Banca Popolare di Verona	Debt/Ebitda < 3.00;<3.60
Unicredit	Debt/Ebitda < 2.50; Debt/equity < 1.00; Ebitda/interest expense > 9
Cariveneto	Debt/Ebitda < 2.00; Debt/equity < 1.00
Barclays Bank	Debt/Ebitda < 2.50; Debt/equity < 1.00
Banca BNL	Debt/Ebitda < 2.50; Debt/equity < 1.00
Banca BNL	Debt/Ebitda < 2.50; Debt/equity < 1.00
MPS	Debt/Ebitda < 2.50; Debt/equity < 1.00
UBI	Debt/Ebitda < 2.00; Debt/equity < 1.00

Except for Credito Emiliano, the banks require all the ratios to be calculated from Fedrigoni S.p.A.'s IFRS Consolidated Financial Statements. Credito Emiliano requires them to be calculated from the Holding company's Italian GAAP Consolidated Financial Statements.

As of December 31, 2016 those ratios were within the acceptable limits.

20. Employee benefits

The changes in this item are presented below:

	As of December 31,	
	2016	2015
	(in thousands of euros)	
Opening balance	18,853	21,272
Service cost		(322)
Interest costs	377	341
Actuarial gains/(losses)	1,244	(969)
Benefits paid	(1,239)	(1,469)
Closing balance	**19,235**	**18,853**

20. Employee benefits (Continued)

The actuarial assumptions used to determine the liability for employee benefits are detailed below:

	As of December 31, 2016	As of December 31, 2015
	(in thousands of euros)	
Economic assumptions		
Inflation rate	1.5%	1.5%
Discount rate	1.3%	2.0%
Salary increment	3%	3%
"TFR" (provision for severance indemnities) rate of increase	2.62%	3%
Demographic assumptions		
Staff turnover	2.0%	3.5%
Advance payouts	3%	3%

21. Provisions for risks and charges

This item is detailed below:

	As of December 31, 2016	As of December 31, 2015
	(in thousands of euros)	
Provision for agency termination	1,892	1,428
Provision for environmental risks	1,074	1,008
Provision for sundry risks	18,555	9,638
Total	**21,521**	**12,074**

The changes in this item are presented below:

	As of December 31, 2016	As of December 31, 2015
	(in thousands of euros)	
Opening balance	12,074	14,418
Increases	9,520	1,357
Use	(1,593)	(6,814)
Exchange differences and other changes	1,520	(963)
Business combination	—	4,076
Closing balance	**21,521**	**12,074**

The provisions for risks are detailed hereunder.

	Dec. 31, 2015	Charge	Reclassifications	Use	Exchange differences	Dec. 31, 2016
Provision for agency termination	1,428	599	—	(135)	—	1,892
Provision for environmental risks	1,008	500	—	(434)	—	1,074
Provisions for litigation risks	2,496	1,557	—	(112)	—	3,941
Provisions for warranty claims	3,315	5,650	—	(283)	—	8,682
Provision for exit incentives	9		(9)	—	—	0
Provision for earthquake expenses	—	500	—	—	—	500
Other provisions	3,818	714	484	(629)	1045	5,432
Total sundry risk provisions	**9,638**	**8,421**	**475**	**(1,024)**	**1,045**	**18,555**
Total risk provisions	**12,074**	**9,520**	**475**	**(1,593)**	**1,045**	**21,521**

21. Provisions for risks and charges (Continued)

The provision for agency termination represents the present value of cash outlays that could be due in the event of termination of the agency relationships in effect as of the reporting date.

The provision for environmental risks refers to outlays that the Group considers necessary to clean up some of the land it owns.

The increase in the provision for sundry risks is due primarily to the charges to the provision for warranty claims and provision for litigation risks, as described subsequently.

The provision for sundry risks consists of the following:

- The provision for warranty claims (8,682 thousand euros) consists of costs that could be incurred in the event of claims regarding supplies of banknotes, security products and other paper products. The provision decreased by 283 thousand euros in the year due to the settlement of some claims regarding previous periods. In addition to covering specific issues, for which negotiations to settle claims are still in progress, the provision serves to cover costs that are reasonably expected to be incurred, on the basis of past experience, to satisfy the warranty obligations. The annual increase is attributable to the considerably higher sales of security products whose warranty terms are longer than for normal paper products.
- The provision for earthquake expenses was set up to cover all expenses connected with the demolition, implementation of security measures and removal phase deriving from the earthquake that damaged the Pioraco plant.
- Other sundry risks (consisting of the provision for litigation risks of 3,941 thousand euros and other provisions of 5,432 thousand euros) refer to liabilities deemed likely to ensue from pending lawsuits, disputes, business arrangements entered into by the Group and other risks, representing a prudent appreciation of the cost estimated at the end of the period. The annual charge includes 1,212 thousand euros for the risk associated with the refund of white certificates amount received in previous periods. Even if the white certificates, which are recognized for an innovative investment program from which energy savings may derive, are initially considered qualified to produce such savings and are accounted for with inclusion of the energy efficiency security ("TTE") payments, they can be submitted to review while they are in effect. The provision charge was deemed necessary because, for a few projects, the relevant authorities have reconsidered the qualification previously assigned.

  For some time Fedrigoni S.p.A. has had a dispute with the Italian tax authorities concerning diverging application and payment criteria for electricity consumption taxes. With respect to the dispute regarding years 1993 to 1997, since Fedrigoni S.p.A. considers the tax claims to be unjustified both on their merits and by law, it filed an appeal with the Italian Supreme Court to overturn the Ancona Appellate Court's decision with which the lower court denied the previous appeal. Pursuant to that decision, the contested amount of euro 511 thousand had been paid in the previous year. The Italian Ministry of Finance, which by now considers the tax payment criteria to be definite, served a notice of payment for years 2008 to 2013 regarding electricity consumption at the Rocchetto plant, and another notice of payment for years 2008 to 2012 regarding electricity consumption at the Castelraimondo plant. Fedrigoni S.p.A., which continues to maintain its position based on the groundlessness and illegitimacy of the claims, filed appeals at the Ancona and Macerata Provincial Tax Commissions. In 2014 the Commissions met with each other, and although the Macerata Provincial Tax Commission fully accepted the appeal, the Ancona Provincial Tax Commission accepted only part of it and reduced the penalties imposed considerably, but denied the grounds regarding the calculation of the taxes. The Company, conscious of the validity of its arguments, which are also backed up by opinions of external consultants, filed for appeal and opposed the demands of the other party. The Italian tax authorities, encouraged by the new ruling, served notices of payment for 2014, 2015 and 2016 limited however to the portion of consumption of the plant located in the Province of Ancona. Fedrigoni S.p.A. filed an appeal against this claim as well at the Ancona Provincial Tax Commissions. The probable cost of the dispute is included in the provision.

21. Provisions for risks and charges (Continued)

In 2007 the Italian Agency for Investment Promotion and Enterprise Development (formerly Sviluppo Italia S.p.A.) served a writ of summons for presumed amounts owed to it as a result of an acquisition in 1984 by Cartiere Miliani Fabriano S.p.A., which has since been absorbed into Fedrigoni S.p.A. The absorbed company entered an initial appearance to deny the claims and request a conviction for breach of contract with respect to the guarantee obligations included in the acquisition agreement. The provision covers the relevant contingent liabilities.

On March 9, 2014 the Italian tax authorities filed an appeal at the Italian Supreme Court restricted to a residual part of the decision issued by the Marche Regional Tax Commission, which had fully accepted the appeal filed regarding direct taxes of 2000 and 2001. Nevertheless, the Company decided to hold out and notified a counterclaim at the Attorney General's Office.

The provision for sundry risks also includes 5,332 thousand regarding Fedrigoni Brasil Papeis Ltda, and is set up primarily to cover the liabilities deemed probable that could arise from lawsuits regarding the main Brazilian taxes (IPI, PIS, Cofins and IRPJ) for 2,714 thousand euros and pending litigation with employees for 2,185 thousand euros.

22. Trade payables and other liabilities

This item is detailed below:

	As of December 31,	
	2016	2015
	(in thousands of euros)	
Trade payables	**211,259**	**222,972**
Other liabilities:		
—Due to employees	16,815	14,996
—Accrued expenses and deferred income	956	794
—Social security	8,000	7,861
—Withholding taxes	4,461	5,201
—Sundry payables	6,147	6,215
—Due to supplementary pension fund	1,428	1,454
—Advances	315	34
—VAT due	1,387	1,349
—Due to Directors and Statutory Auditors	1,237	777
—Sundry tax liabilities	2,499	1,197
—Tax liabilities from tax deferrals under earthquake relief	760	1,092
Other liabilities	**44,005**	**40,970**
Total	**255,264**	**263,942**
Of which: non-current	*2,743*	*1,341*

The decrease in trade payables is attributable to several factors. The 2015 amount was affected by 4 million euros in payables associated with the July 2015 fire. The current year features lower fibrous raw material prices on one hand, and on the other higher sales of the Security Segment, where the payment terms for the related supplies are substantially shorter.

Concerning "tax liabilities from payment deferral under earthquake relief", companies of the Group located in areas struck by the 1997 earthquake benefited from the deferral of tax and social security payments for some periods (starting from 1997). In 2008 tax and social security authorities granted tax relief to businesses in the form of: i) a 60% reduction of the accrued unpaid tax and social security liabilities; and *ii)* payment deferral over 10 years of the remaining 40% of the total amount. Accordingly, the item shows the present value of the amounts that the companies will pay in 10 years (starting from 2008).

22. Trade payables and other liabilities (Continued)

The increase in sundry tax liabilities is attributable to the 2,021 thousand euro charge for the self-generated energy system, including 1,150 thousand euros regarding 2015 not yet billed by the relevant authorities and 871 thousand euros regarding 2016. It deals with the increase in one of the components of electricity costs affecting energy-intensive businesses, pursuant to the adoption of Law 91/2014, converted with amendments from Law 116/2014.

23. Current tax liabilities

The increase in current tax liabilities, which were 12,041 thousand euros as of December 31, 2016 (991 thousand euros as of December 31, 2015), is due to the fact that the Group had a debit balance for the annual income taxes of 2016, whereas it had a credit balance for the previous year.

NOTES TO THE INCOME STATEMENT

24. Sales revenues

This item is detailed below:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Revenues from sales of products	1,058,204	981,211
Awards for customers	(5,292)	(5,507)
Other sales revenues	1,722	1,277
Total	**1,054,634**	**976,981**

The increase in sales revenues is affected by the fact that in the previous year the two companies acquired (former Fedrigoni Brasil Papeis Ltda and GPA Holding Company Inc.) contributed revenues for only 7 months (35,923 thousand euros) and 9 months (50,157 thousand euros) respectively, since they were acquired during the course of the year.

In 2016 the revenues from such companies were 55,538 thousand euros and 68,106 thousand euros, respectively. Excluding the two companies acquired in 2015, with a constant consolidation perimeter, sales revenues increased by 4.5%.

25. Other operating income

This item is detailed below:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Other revenues	4,095	4,564
Sundry non-financial income	3,914	9,593
Contingent gains and unrealized costs	944	2,550
Grants for operating expenses	89	104
Other	350	62
Total	**9,392**	**16,873**

The other revenues derive primarily from the sale of electricity by the manufacturing companies (2,366 thousand) and the sale of white certificates (1,490 thousand).

The sundry non-financial income refers primarily (2,000 thousand euros) to an advance payment by the insurance company of the compensation for the earthquake damages. In 2015 the insurance refund was 8,150 thousand euros.

25. Other operating income (Continued)

The decrease in contingent gains is due mainly to the 2015 surplus amount of the provision for product warranty claims.

26. Cost of materials

This item is detailed below:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Raw material purchases	549,529	529,728
Purchases of ancillary materials and consumables	1,367	1,335
Change in inventories	(1,541)	(3,057)
Total	**549,355**	**528,006**

In 2015 the cost of materials of former Fedrigoni Brasil Papeis Ltda and GPA Holding Company Inc. were 16,697 thousand euros and 28,051 thousand euros respectively, since such companies were acquired in different months of that year, as explained previously.

In 2016 the costs of such companies were 27,215 thousand euros and 33,864 thousand euros, respectively.

27. Cost of services

This item is detailed below:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Transportation	70,347	66,193
Natural gas	40,131	42,276
Commissions paid	17,653	13,972
Maintenance	10,818	9,392
Use of third-party assets	18,743	8,170
Electricity	8,282	9,956
Consulting services (administrative, legal, tax, technical)	4,679	8,312
Advertising and publicity	7,148	6,846
Outsourced production	4,815	3,329
Insurance	4,971	4,252
Travel expenses	4,227	3,689
Waste disposal	2,681	3,773
Outsourced labor	5,794	5,484
Telephone expenses	1,094	960
Water	228	145
Directors and Statutory Auditors	4,245	3,462
Other services	10,475	8,794
Total	**216,331**	**199,005**

The increase in the cost of services is largely affected by the previous year's acquisitions; in 2015 the costs of services were 8,224 thousand euros for GPA Holding Company Inc. and 8,083 thousand euros for former Fedrigoni Brasil Papeis Ltda, whereas in 2016 the costs were 11,844 thousand euros and 10,958 thousand euros, respectively.

The increase in transportation costs is attributable to the greater volumes produced, whereas the decrease in natural gas and electricity costs is related to the lower rates.

27. Cost of services (Continued)

The decrease in commission expense is due largely to GPA Holding Company Inc. (4,615 thousand euros compared with the 3,262 thousand euros of 2015) and former Fedrigoni Brasil Papeis Ltda (1,508 thousand euros compared with the 1,057 thousand euros of 2015).

The use of third-party assets refers mainly to patent rights on security threads; the increase from the previous year is attributable to the considerably higher sales ensuing from greater activities regarding security products at the Bollate (Milan) plant.

28. Cost of personnel

This item is detailed below:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Wages and salaries	107,330	98,145
Social security contributions	31,038	29,625
Period accrual for defined contribution and defined benefit plans	5,918	5,458
Other costs	3,796	3,276
Total	**148,082**	**136,504**

The increase in the cost of personnel is attributable in part to the impact of the two companies acquired in 2015 (the costs of GPA Holding Company Inc. rose from 4,569 thousand euros in 2015 to 7,238 thousand euros, whereas those of former Fedrigoni Brasil Papeis Ltda rose from 6,409 thousand euros to 11,177 thousand euros), and in part, although to a lesser extent, to the increased workforce, from 2,653 employees at December 31, 2015 to 2,720 employees at December 31, 2016.

The Group's employee headcount numbers are shown below:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Management	65	63
White-collar employees	1003	963
Blue-collar employees	1652	1627
Total	**2,720**	**2,653**

29. Other costs

This item is detailed below:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Writedowns of receivables and other assets	3,194	2,321
Contingent losses and unrealized income	93	5,469
Indirect taxes	2,788	3,031
Membership dues	868	760
Sundry costs	10,488	3,325
Total	**17,431**	**14,906**

The writedowns of receivables and other assets include the 648 thousand euro writedown of receivables for white certificates, explained previously.

29. Other costs (Continued)

The decrease in contingent losses and unrealized income is due to the fact that the 2015 amount included 4,726 thousand euros regarding the portion of white certificates required by the relevant authorities to be refunded, because after careful analysis, the project for which the certificates had been reported and assigned by such authorities, and then sold by the Group in the respective market, was no longer considered feasible by the authorities.

The increase in sundry costs is due to higher amounts charged to risk provisions, as explained previously in the notes on risk provisions.

30. Depreciation, amortization and impairment losses

This item is detailed below:

	Year ended December 31,	
	2016	**2015**
	(in thousands of euros)	
Depreciation of property, plant and equipment	34,358	33,051
Amortization of intangible assets	4,813	3,715
Depreciation of investment property	38	48
Impairment of fixed assets	4,079	—
Total	**43,288**	**36,814**

The impairment of fixed assets consists of the 1,691 thousand euro impairment loss of an advance payment given to an equipment supplier declared bankrupt in January 2017, and 2,388 thousand euros for impairment losses ensuing from the earthquake.

31. Net financial income/(costs)

This item is detailed below:

	Year ended December 31,	
	2016	**2015**
	(in thousands of euros)	
Bank interest income	108	164
Foreign exchange gains	15,014	15,463
Fair value measurement of derivatives	1,597	792
Other financial income	450	520
Total financial income	**17,169**	**16,939**
Bank interest expense	(2,048)	(2,115)
Interest expense on leases	(325)	(321)
Foreign exchange losses	(15,059)	(15,178)
Fair value measurement of derivatives	(428)	(16)
Interest costs on employee benefits	(377)	(341)
Other finance costs	(1,631)	(1,447)
Total finance costs	**(19,868)**	**(19,418)**
Total	**(2,699)**	**(2,479)**

32. Income taxes

This item is detailed below:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Current taxes	33,559	26,779
Deferred taxes	(3,483)	(1,758)
Total	**30,076**	**25,021**

The table below presents the reconciliation of the theoretical tax rate (the 27.5% IRES rate currently in force in Italy) and the effective tax rate:

	Year ended December 31,	
	2016	2015
	(in thousands of euros)	
Profit before tax	93,606	82,798
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes	**25,742**	**22,769**
Profits not subject to taxes	(1,987)	(1,632)
Non-deductible taxes	659	404
Costs not deductible for tax purposes	440	808
Other decreases	(1,713)	(1,427)
IRAP allocated by Italian companies	3,369	2,467
Tax effects of foreign subsidiaries and other differences	3,567	1,631
Effective income taxes	**30,076**	**25,021**
Effective tax rate	**32%**	**30%**

33. Earnings per share

Earnings per share was calculated by dividing: i) the profit or loss attributable to ordinary equity holders by ii) the number of ordinary shares, as they result pursuant to the shareholders' resolution.

There are no anti-dilutive shares, so the diluted earnings per share is the same as the basic earnings per share.

34. Contingent liabilities

Various legal and tax proceedings originating over time in the normal course of the Group's business operations are pending. According to the Company's management, none of these proceedings can result in significant liabilities for which provisions do not already exist in the consolidated financial statements.

35. Commitments

(a) Commitments to purchase property, plant and equipment

The contractual commitments undertaken with third parties as of December 31, 2016 regarding investments in property, plant and machinery not yet recognized in the financial statements amount to 22,200 thousand euros.

(b) Operating lease commitments

The operating leases in effect as of December 31, 2016 will require payments of: *i)* 5,646 thousand euros in 2017, *ii)* 14,942 thousand euros from 2018 to 2022, iii) 9,476 thousand euros after 2022.

35. Commitments (Continued)

(c) Sureties and guarantees

With respect to a loan granted by Unicredit Banca d'Impresa S.p.A. to associate Consorzio Industriale Canale Camuzzoni S.c.a.r.l., the Company has undertaken – by issuing a letter of comfort to the bank – to provide its associate with the funding necessary to repay the loan. The Group's commitment was 796 thousand euros as of December 31, 2016.

36. Related-party transactions

The following tables set forth the transactions and balances of the Group with related parties for the years ended December 31, 2016 and 2015.

Statement of Financial Position balances

	As of December 31, 2016				
	Assets			Liabilities	
	Financial receivables	Trade receivables	Tax credits	Current tax liabilities	Trade payables
	(in thousands of euros)				
San Colombano S.p.A.	4,407	6	3,650	—	104
Nerea S.p.A.	—	—	—	—	—
Studio Canestrari e Crescentini	—	—	—	—	54
Studio Biscozzi Nobili	—	—	—	—	66
Consorzio Canale Industriale G. Camuzzoni di Verona Scarl	106	—	—	—	—
Total	**4,513**	**6**	**3,650**	**—**	**224**
As a % of F/S item	100.0%	0.0%	81.2%	0.0%	0.1%

	As of December 31, 2015				
	Assets			Liabilities	
	Financial receivables	Trade receivables	Tax credits	Current tax liabilities	Trade payables
	(in thousands of euros)				
San Colombano S.p.A.	5,585	10	6,554	1,178	112
Nerea S.p.A.	—	—	—	—	—
Studio Canestrari e Crescentini	—	—	—	—	73
Studio Biscozzi Nobili	—	—	—	—	75
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l.		—	—	—	—
Total	**5,585**	**10**	**6,554**	**1,178**	**259**
As a % of F/S item	100.0%	0.0%	97.0%	118%	0.0%

36. Related-party transactions (Continued)

Income Statement balances

	As of December 31, 2016				
	Income			Expenses	
	Sales revenues	Other revenues	Interest income	Cost of services	Interest expense
	(in thousands of euros)				
San Colombano S.p.A.	—	15	29	125	—
Nerea S.p.A.	—	—	—	355	—
Studio Canestrari e Crescentini	—	—	—	74	—
Studio Biscozzi Nobili	—	—	—	78	—
Consorzio Canale Industriale G. Camuzzoni di Verona Scarl	—	—	—	—	—
Total	—	**15**	**29**	**632**	—
As a % of F/S item	0.0%	0.2%	0.2%	0.3%	0.0%

	As of December 31, 2015				
	Income			Expenses	
	Sales revenues	Other revenues	Interest income	Cost of services	Interest expense
	(in thousands of euros)				
San Colombano S.p.A.	—	—	39	148	—
Nerea S.p.A.	—	—	—	355	—
Studio Canestrari e Crescentini	—	—	—	125	—
Studio Biscozzi Nobili	—	—	—	75	—
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l.	—	—	—	—	—
Total	—	—	**39**	**702**	—
As a % of F/S item	0.0%	0.0%	0.2%	0.4%	0.0%

Description of the Group's related parties

San Colombano S.p.A. (formerly Cartiere Fedrigoni & C. S.p.A.)

Pursuant to the Italian Income Tax Code ("TUIR") (Presidential Decree or "DPR" no. 917/86, Article 117 *et seq.*) and the Italian Ministerial Decree of June 9, 2004, Article 11, paragraph 4 containing "provisions applicable to the Italian tax consolidation regime, as per Articles 117 to 128 of the Italian Income Tax Code", the Group's Italian companies adopted the "Italian Tax Consolidation" regime. The relevant agreement, which regulates all reciprocal obligations and responsibilities between San Colombano S.p.A. and the Group's companies, was in effect for tax years 2013, 2014 and 2015. The agreement was not renewed in 2016.

The tax credits and tax liabilities presented in the table for 2015 refer primarily to the transactions within the scope of the Italian Tax Consolidation regime.

As reported in the note on tax credits, the 2016 tax credits include an IRES refund claim regarding years 2007 to 2011 for IRAP paid on personnel costs and not deducted for IRES purposes pursuant to Law Decree no. 201, Article 2, paragraph 1 quarter of December 6, 2011 and Italian Revenue Agency Director Provision no. 2012/140973 of December 17, 2012.

The financial receivables refer to a cash pool account with the Group companies.

Nerea S.p.A.

Nerea S.p.A. is a real estate agency considered a related party because it is controlled by the same entities that indirectly control the Company.

36. Related-party transactions (Continued)

The Group has a lease in effect with Nerea S.p.A. for the building in Verona in which the Company's headquarters are located. The lease was stipulated on December 31, 2004, with a start date of January 1, 2005 and end date of December 31, 2011, tacitly renewable unless terminated in writing. The annual lease payment agreed on the lease stipulation date was 280 thousand euros and has been adjusted for inflation annually on the basis of ISTAT statistics. A new six-year lease (renewable for another six years) commencing on January 2017, with an annual lease payment of 320 thousand euros, was stipulated.

Studio Canestrari e Crescentini

Tax consulting firm "Canestrari & Crescentini" is 50%-owned by Silvana Canestrari, and is a related party because she is a non-executive, independent director of the Company.

The amounts included in the cost of services refer principally to her remuneration as a member of the Company's Board of Directors.

In 2016 Studio Canestrari & Crescentini provided consulting services to the Fedrigoni Group for a total amount of 30 thousand euros.

The consulting services provided by the firm to the Fedrigoni Group in 2016 were performed by Leonardo Crescentini and one of his colleagues.

Studio Biscozzi Nobili

Pursuant to the appointment of Luigi Emilio Garavaglia as a non-executive, independent director of the Parent company at the shareholders' meeting of May 11, 2011, the tax consulting firm "Biscozzi Nobili" became a related party of the Company.

The amounts stated include Mr. Garavaglia's remuneration as a director and fees for the tax consulting services performed by the firm (some 35 thousand euros).

Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l.

Corsorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l. is a 25%-owned company and therefore is an associate.

The consortium operates in the power generation industry and the amounts stated for 2016 refer to an interest-bearing loan granted in 2016 that will mature in 2020.

Key management personnel compensation

The following are considered key management positions of the Group: *i)* C.E.O.; *ii)* Chairman of the Board of Directors; *iii)* General Managers of the Company and of subsidiaries Arconvert S.p.A and Arconvert SA; *iv)* Sales Directors responsible for graphic paper and paper for office/drawing use; *v)* Head of Security Segment; *vi)* C.F.O.

The gross compensation paid to key management personnel in 2016 was 4,271 thousand euros.

37. Subsequent events

No significant events are reported.

ANNEX 1—List of subsidiaries and associates

Name	Headquarters	Ownership As of December 31, 2016
Directly controlled subsidiaries		
Arconvert S.p.A.	Arco (Trento)	100.00%
Arconvert SA	Sarrià del Ter Gerona—Spain	100.00%
Fedrigoni Deutschland Gmbh	Oberhaching—Munich—Germany	100.00%
Fedrigoni Espana SL	Madrid—Spain	100.00%
Fedrigoni France Sarl	Paris—France	100.00%
Fedrigoni UK Ltd	Northampton—United Kingdom	100.00%
Cartamano Deutschland Gmbh	Munich—Germany	100.00%
Miliani Immobiliare Srl	Fabriano (Ancona)	100.00%
Fedrigoni Brasil Papeis Ltda	San Paolo—Brazil	100.00%
Fedrigoni Austria Gmbh	Vienna—Austria	100.00%
Fedrigoni Benelux BV	Brussels—Belgium	100.00%
Fedrigoni Asia Ltd	Hong Kong—China	100.00%
Concept Couleur Sàrl	Geneva—Switzerland	100.00%
GPA Holding Company Inc	McCook—Illinois, U.S.A.	100.00%
Indirectly controlled subsidiaries		
Fedrigoni Trading (Shanghai) Company Limited	Shanghai—China	100.00%
Associates		
Consorzio Canale Industriale G. Camuzzoni S.c.a.r.l.	Verona	25.00%

FEDRIGONI GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
FEDRIGONI S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Fedrigoni S.p.A. and its subsidiaries (the "Fedrigoni Group"), which comprise the statement of financial position as at December 31, 2015, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to Art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fedrigoni Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

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INDEPENDENT AUDITORS' REPORT

Other aspects

This auditors' report is not issued for Italian statutory purposes, due to the fact that Fedrigoni S.p.A. has opted for the exemption foreseen by Art. 27, n° 3, of Italian Legislative Decree 127/91 and has prepared the consolidated financial statements on a voluntary basis.

DELOITTE & TOUCHE S.p.A.

Signed by
Pier Valter Azzoni
Partner

Verona, Italy
March 29, 2016

This report has been translated into the English language solely for the convenience of international readers.

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2015	As of December 31, 2014
		(in thousands of euros)	
Non-current assets			
Property, plant and equipment	*6*	300,868	276,913
Intangible assets	*7*	64,663	3,551
Investment property	*8*	1,010	1,058
Equity-accounted investments in associates	*9*	2,136	1,710
Tax credits	*10*	3,807	3,964
Deferred tax assets	*11*	18,139	19,947
Financial assets	*15*	—	548
Other assets	*13*	3,880	2,158
Total non-current assets		**394,503**	**309,849**
Current assets			
Inventories	*14*	186,490	161,274
Trade receivables	*12*	253,355	237,302
Tax credits	*10*	2,913	743
Financial assets	*15*	5,585	3,441
Other assets	*13*	20,457	8,913
Cash and cash equivalents	*16*	30,707	13,383
Derivatives	*17*	792	981
Total current assets		**500,299**	**426,037**
Total assets		**894,802**	**735,886**
Share capital		40,000	40,000
Reserves and retained earnings		319,728	304,911
Equity attributable to owners of the parent		**359,728**	**344,911**
Equity attributable to non-controlling interests		—	—
Total equity	*18*	**359,728**	**344,911**
Non-current liabilities			
Due to banks and other lenders	*19*	110,208	17,816
Employee benefits	*20*	18,853	21,272
Provisions for risks and charges	*21*	12,074	14,418
Deferred tax liabilities	*11*	23,799	19,043
Other liabilities	*22*	1,341	1,928
Total non-current liabilities		**166,275**	**74,477**
Current liabilities			
Due to banks and other lenders	*19*	105,191	72,572
Trade payables	*22*	222,972	198,090
Current tax liabilities	*23*	991	13,268
Other liabilities	*22*	39,629	32,466
Derivatives	*17*	16	102
Total current liabilities		**368,799**	**316,498**
Total liabilities		**535,074**	**390,975**
Total equity and liabilities		**894,802**	**735,886**

FEDRIGONI GROUP

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2015	2014
		(in thousands of euros)	
Sales revenues	*24*	976,981	873,016
Other operating income	*25*	16,873	14,748
Cost of materials	*26*	(528,006)	(435,102)
Cost of services	*27*	(199,005)	(189,452)
Cost of personnel	*28*	(136,504)	(125,449)
Other costs	*29*	(14,906)	(17,274)
Depreciation, amortization and impairment losses	*30*	(36,814)	(31,727)
Change in inventories of work in progress, semi-finished goods and finished products		5,697	(2,933)
Cost of capitalized in-house work		535	564
Operating income		**84,851**	**86,391**
Financial income		16,939	7,477
Finance costs		(19,418)	(11,912)
Net financial income/(costs)	*31*	(2,479)	(4,435)
Share of profits of associates		426	28
Profit before tax		**82,798**	**81,984**
Income taxes	*32*	(25,021)	(28,451)
Net profit		**57,777**	**53,533**
Net profit attributable to:			
—Owners of the parent		57,777	53,533
Earnings per share (in Euros):			
—Basic and diluted	*33*	0.72	0.67

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2015	2014
	(in thousands of euros)	
Net profit for the period	**57,777**	**53,533**
Other items of comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	970	(2,226)
Income tax relating to other comprehensive income	(267)	614
	703	**(1,612)**
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations and other movements	**(25,663)**	**100**
Other comprehensive income for the period, net of income tax	**(24,960)**	**(1,512)**
Total comprehensive income /(loss) for the period	**32,817**	**52,021**
Attributable to owners of the parent	*32,817*	*52,021*
Attributable to non-controlling interests	—	*(1,047)*

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31, 2015	2014
	(in thousands of euros)	
Profit before tax	**82,798**	**81,984**
Adjustments for:		
Depreciation of property, plant and equipment	33,051	29,902
Amortization of intangible assets	3,715	1,432
Depreciation of investment property	48	48
Impairment losses on tangible and intangible assets	—	344
Employee benefit allowance	(322)	—
Charges to risk provisions	1,357	9,406
Charges to provision for doubtful debts	2,321	7,869
Income from equity-accounted investments in associates	(426)	(28)
Net financial income /(costs)	2,479	4,435
Fair value measurement of derivatives	103	(1,258)
Cash flow from operating activities before movements in working capital and income taxes paid	**125,124**	**134,134**
Change in trade receivables	(333)	(6,518)
Change in trade payables	15,053	7,599
Change in inventories	(5,294)	(1,129)
Use of provisions for risks	(7,777)	(3,093)
Use of provisions for personnel	(1,469)	(1,146)
Change in other assets /(liabilities)	5,301	(7,623)
Cash generated from operations before income taxes paid	**130,607**	**122,224**
Income taxes paid	(37,889)	(15,717)
Net cash generated by operating activities	**92,717**	**106,507**
Cash flow from investing activities		
Investments in intangible assets	(929)	(1,448)
Investments in property, plant and equipment	(32,551)	(22,556)
Disposals of property, plant, equipment and intangible assets	1,923	1,929
Business combination	(99)	
Dividends received from associates	—	200
Financial income received	1,476	1,359
(Purchases)/disposals of subsidiaries or business divisions net of cash holdings	(121,959)	—
Net cash used in investing activities	**(152,139)**	**(20,516)**
Dividends paid	(18,000)	(8,000)
Finance costs paid	(3,899)	(5,189)
New medium/long-term bank loans raised	155,000	35,000
New short-term bank loans raised	122,148	96,362
Repayment of short-term bank loans	(73,070)	(170,086)
Repayment of medium/long-term bank loans	(76,535)	(24,815)
Repayment of financing from leasing companies	(2,532)	(2,440)
Purchases of non-controlling interests	—	(6,498)
Net cash generated by/(used in) financing activities	**103,112**	**(85,666)**
Net increase/(decrease) in cash and cash equivalents for the period	**43,690**	**325**
Actuarial losses/(gains) on defined benefit plans net of taxes	(703)	1,612
Effects of exchange rate changes	(25,218)	—
Movements that did not generate cash flows	**(25,921)**	**1,612**
Cash and cash equivalents at the beginning of the period	13,383	11,346
Effects of exchange rate changes on the balance of cash holdings in foreign currencies	(445)	100
Cash and cash equivalents at the end of the period	**30,707**	**13,383**

FEDRIGONI GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Profit for the period	TOTAL	Attributable to owners of the parent	Attributable to non-controlling interests
			(in thousands of euros)			
As of January 1, 2014	**40,000**	**267,388**	**—**	**307,388**	**304,409**	**2,979**
Net profit for the period	**—**	**—**	**53,533**	**53,533**	53,533	—
Actuarial gains on defined benefit plans	**—**	(1,612)	—	**(1,612)**	*(1,612)*	—
Exchange differences on translating foreign operations and other movements	**—**	100	**—**	**100**	66	34
Comprehensive income for the period		**(1,512)**	**53,533**	**52,021**	**51,987**	**34**
Dividends distributed	**—**	(8,000)	—	**(8,000)**	*(8,000)*	—
Purchases of non-controlling interests	**—**	**—**	**—**	**—**	3,013	(3,013)
Consolidation difference on purchases of non-controlling interests		(6,498)	—	**(6,498)**	*(6,498)*	—
Transactions with shareholders	**—**	**(14,498)**	**—**	**(14,498)**	**(11,485)**	**(3,013)**
Allocation of profit	**—**	53,533	(53,533)	**—**	—	—
As of December 31, 2014	**40,000**	**304,911**	**—**	**344,911**	**344,911**	**—**
As of January 1, 2015	**40,000**	**304,911**	**—**	**344,911**	**344,911**	**—**
Net profit for the period	**—**	**—**	**57,777**	**57,777**	*57,777*	—
Actuarial gains on defined benefit plans	**—**	703	—	**703**	703	—
Exchange differences on translating foreign operations and other movements	**—**	(25,663)	**—**	**(25,663)**	*(25,663)*	**—**
Comprehensive income for the period	**—**	**(24,960)**	**57,777**	**32,817**	**32,817**	**—**
Dividends distributed	**—**	(18,000)	—	**(18,000)**	*(18,000)*	—
Purchases of non-controlling interests	**—**	—	—	**—**	—	—
Consolidation difference on purchases of non-controlling interests		—	—	**—**	—	—
Transactions with shareholders	**—**	**(18,000)**	**—**	**(18,000)**	**(18,000)**	**—**
Allocation of profit	**—**	57,777	(57,777)	**—**	—	—
As of December 31, 2015	**40,000**	**319,728**	**—**	**359,728**	**359,728**	**—**

FEDRIGONI GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

Fedrigoni S.p.A. (the "Company") prepares its financial statements in accordance with the relevant provisions of the Italian Civil Code, which regulates their preparation, as interpreted by the accounting principles issued by the *Organismo Italiano di Contabilità* ("Italian GAAP"). Fedrigoni S.p.A. used the exemption provided by Italian Legislative Decree 127/91, Article 27, paragraph 3 and prepared Consolidated Financial Statements for the years ended December 31, 2015 and 2014 on a voluntary basis in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU-IFRS).

1. GENERAL INFORMATION

Fedrigoni S.p.A. is a company incorporated and domiciled in Italy and organized under Italian law.

The Company was incorporated on August 5, 1999 under the name Papelco S.r.l. with its registered office at Viale Piave 3, Verona. It changed its name to Fedrigoni Cartiere S.p.A. on December 18, 1999 and then to Fedrigoni S.p.A. on January 1, 2011. San Colombano S.p.A., whose registered office is at Viale Piave 3, Verona, Italy, controls the Company with 99.99% of the voting shares.

The Fedrigoni Group (the "Group") produces and sells paper, security products and self-adhesive items (converting segment). Specifically, it produces, transforms and distributes worldwide coated and uncoated graphic papers for the general and specialized press and for publishing, bookbinding, packaging, finishing and converting applications for commercial and personal use, technical and industrial use, office use, and artistic and scholastic use. The Group also produces, converts and distributes worldwide adhesive and anti-adhesive papers and materials. It is the sole Italian producer of paper for banknotes and one of the world's leading names in this particular market segment. The Group's main brands are *Fedrigoni* and *Fabriano*.

This document was approved by the Company's Board of Directors on March 17, 2016.

2. SUMMARY OF ACCOUNTING STANDARDS

Provided below are the main accounting standards and principles applied in the preparation of the Group's consolidated financial reports.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union, and with the provisions issued in enactment of Italian Legislative Decree n. 38/2005, Article 9. The term "EU-IFRS" means the International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), and all Interpretations of the International Financial Reporting Interpretations Committee (IFRIC, previously known as the Standing Interpretations Committee, or SIC) which, as of the date of approval of the consolidated financial statements, have been endorsed by the European Union in accordance with the procedures established by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002. The EU-IFRS have been applied consistently in all periods presented herein. The consolidated financial statements have been prepared according to the best knowledge of the EU-IFRS and taking into consideration the best doctrine applicable. Any future changes in interpretation or orientation will be reflected in subsequent periods as established at the time by applicable accounting standards.

The consolidated financial statements have been prepared on a going-concern basis, given that management has verified that there are no financial, operational, or other indicators of critical issues regarding the ability of the Group to meet its obligations over the next 12 months or in the foreseeable future. A description of how the Group manages financial risk, including both liquidity and equity risk, is provided under Note 3 regarding financial and equity risk management.

The consolidated financial statements are presented in euros, the currency used in the economies in which the Group primarily operates. All amounts shown in this document are expressed in thousands of euros unless otherwise specified.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Below is a description of the various financial statements and related classification criteria adopted by the Group as envisaged in IAS 1—Presentation of Financial Statements*:*

- The *consolidated statement of financial position* has been prepared by classifying assets and liabilities as either current or non-current;
- The *consolidated income statement* has been prepared by classifying operating costs by their nature;
- The *consolidated statement of comprehensive income* includes both the net profit for the period as shown in the separate consolidated income statement and the other changes in equity resulting from transactions not entered into with shareholders of the Company;
- The *consolidated statement of cash flows* has been prepared by showing the cash flows resulting from operations by way of the "indirect" approach".

The consolidated financial statements have been prepared on a historical-cost basis with the exception of the measurement of financial assets and liabilities, including derivative instruments, in which cases the fair-value approach is mandatory.

2.2 BASIS AND METHOD OF CONSOLIDATION

The criteria adopted by the Group in determining the companies to be consolidated in terms of subsidiaries and associates and their respective consolidation methods are described hereunder.

a) Consolidated companies

i) Subsidiaries

The consolidated financial statements include those of the Company and companies in which Fedrigoni S.p.A. exercises control either directly or indirectly through other subsidiaries. Control is considered to begin on the date on which the company is acquired and end when control over the company ceases.

Subsidiaries are consolidated on a line-item basis as described below:

- the assets and liabilities, income and expenses are consolidated line by line, with non-controlling interests allocated their share of equity and net profits as shown separately in the statement of changes in equity, consolidated income statement, and consolidated statement of comprehensive income;
- business combinations which, during the period under review, result in acquiring control over an entity are recognized using the acquisition method. The acquisition cost is the fair value, at the control transfer date, of assets acquired, liabilities assumed, and equity instruments issued. Transaction costs are recognized through profit or loss on the date on which the related services are provided. The assets, liabilities and contingent liabilities acquired are recognized at their fair value as of the acquisition date. The difference between the acquisition cost and the fair value of the assets and liabilities acquired is recognized, if positive, among intangible assets as goodwill or, if negative and after verifying the proper measurement of the fair value of the assets and liabilities acquired and their acquisition cost, through profit or loss. If the fair value of the identifiable assets and liabilities acquired can be determined only provisionally, the business combination is recognized using the provisional values. Any adjustments resulting from the measurement process are recognized within twelve months from the acquisition date, and the comparative figures are remeasured;
- the acquisition of non-controlling interests related to entities in which there is already control, or the sale of non-controlling interests that do not result in a loss of control, are considered equity transactions. This means that, in the event of acquisition or sale of non-controlling interests that result in control being maintained, any difference between the acquisition/sale cost and the related share of equity acquired/sold is recognized in equity;
- receivables, payables, income and expenses between the consolidated companies as well as significant profits and losses and related tax effects resulting from transactions conducted between companies and

2. Summary of accounting standards (Continued)

not yet realized with other parties are eliminated, with the exception of unrealized losses, which are not eliminated if the transaction provides evidence of an impairment loss of the business transferred. Also eliminated, if material, are reciprocal receivables and payables, revenues and expenses, financial income and finance costs;

- profits or losses resulting from the sale of equity interests in consolidated companies that results in a loss of control over that entity are recognized through profit or loss in an amount equal to the difference between the sale price and the corresponding share of the equity sold.

The financial statements of subsidiaries are prepared with reporting periods ending on December 31, which is the same reporting date for the consolidated financial statements, and have been prepared and approved by the boards of directors of the respective entities and adjusted, as necessary, to ensure uniformity in the accounting standards adopted within the Group.

In 2015 the following transactions changed the consolidation perimeter:

- On April 1, 2015 Fedrigoni Trading (Shanghai) Company Limited was founded with share capital of CNY 972,478, wholly owned by Fedrigoni Asia Ltd.
- On April 2, 2015 Fedrigoni S.p.A. completed the 100% acquisition of GPA (Gummed Papers of America) Holding Company Inc., based in McCook, Illinois, which operates in the distribution of special graphic papers and paper self-adhesive labels for digital printing purposes.
- On May 19, 2015 Arconvert Brasil Ltda completed the acquisition of a 100% stake in Brazilian company Arjo Wiggins Ltda (now called Fedrigoni Brasil Papeis Ltda), based in Salto (Sao Paolo), which manufactures and distributes special papers for graphic use and packaging, security papers, banknote paper and E-docs in South America.

As a result of such acquisitions, the accounting data as of December 31, 2015 is not immediately comparable with that of the previous year.

The companies acquired were included in the consolidated financial statements on the date on which all risks and rewards of ownership were transferred to the Group, which generally coincides with the acquisition date. Under revised IFRS 3, the purchase price should be allocated to the fair value of the assets, liabilities and unrecognized intangible assets acquired. The amount remaining after such allocation should be recognized as goodwill.

The following values were determined at the acquisition date:

Values in thousands of euros		**Fedrigoni Brasil Papeis Ltda**	**GPA Holding Inc.**
Fixed assets(*)	G	44,638	26,436
Working capital		14,225	12,631
Net non-current assets / (liabilities)		(826)	(8,193)
Financial debt	C	—	—
Net cash and cash equivalents	B	1,415	1,191
Goodwill	F	18,212	16,311
Purchase price		**(77,664)**	**(48,376)**
of which:			
Long-term payables due to acquirees		(1,475)	—
Price paid	A	(76,189)	(48,376)
Effect on financial debt	**D = A + B + C**	**(74,774)**	**(47,185)**
Price paid net of cash and cash equivalents	**E = A + B**	**(74,774)**	**(47,185)**
Fixed assets deriving from acquisition	**I = G + F**	**62,850**	**42,747**

(*) including property, plant and equipment and intangible assets (excluding goodwill)

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

ii) Associates

Associates are companies over which the Group exercises significant influence, which is the power to contribute to determining the financial and operating policies of the entity without having either control or joint control. Significant influence is assumed to exist when at least 20% of the exercisable voting rights is held either directly or indirectly through subsidiaries. When determining the existence of significant influence, potential voting rights that are actually exercisable or convertible are also taken into account. Investments in associates are measured using the equity method and initially recognized at the cost incurred for their acquisition. A description of the equity method is provided hereunder:

- the carrying value of these investments is aligned with the equity held and adjusted, as necessary, in application of the EU-IFRS; this includes the recognition of the greater value attributed to the assets and liabilities and any goodwill established at the time of acquisition;
- profit or loss attributable to owners of the parent company is recognized from the date on which significant influence began until the date on which it ceases; if realized losses of a company measured at equity should result in negative equity, the carrying value of the investment is eliminated, and any excess attributable to the owners of the parent is recognized in a specific reserve if the parent has undertaken to meet the associate's legal or other constructive obligations; changes in equity for companies measured at equity that are not related to net profits are recognized as a direct adjustment to equity reserves;
- significant, unrealized profits and losses generated on transactions between the Company, its subsidiaries and equity-accounted associates are eliminated based on the value of the equity interest that the Group owns in the associate. Unrealized losses are eliminated, with the exception of cases in which such losses represent an impairment loss.

A list of subsidiaries and associates, which includes information on their headquarters and the respective ownership interests, is provided in Annex 1.

b) Translation of foreign currency balances

The financial statements of subsidiaries and associates are prepared using the currency of the primary economy in which they operate (i.e. the "functional currency"). The rules for translating financial statements expressed in a currency other than the euro are as follows:

- assets and liabilities are translated using the exchange rates in effect as of the reporting date;
- income and expenses are translated at the average exchange rate for the reporting period;
- the translation reserve shown on the statement of comprehensive income includes both the exchange rate differences generated by the translation of balances at a different rate from that of the closing date and those generated by the translation of opening equity balances at a different rate from that of the reporting date;
- goodwill, where applicable, and fair-value adjustments related to the acquisition of foreign entities are treated as assets and liabilities of the foreign entity and translated at the end-of-period exchange rate.

The consolidated investee companies with a functional currency other than the euro as of December 31, 2015 are Fedrigoni UK Ltd (GBP), Fedrigoni Asia Ltd (HKD), Arconvert Brasil Ltda (BRL), Fedrigoni Brasil Papeis Ltda (BRL), GPA Holding Company Inc. (USD) and Fedrigoni Trading (Shanghai) Company Limited (CNY).

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

The exchange rates used to translate the financial statements of companies with a functional currency other than the euro are listed in the table below:

Currency	Average for year ended December 31 2015	Average for year ended December 31 2014	As of December 31, 2015	As of December 31, 2014
GBP	0.7259	0.8061	0.7340	0.7789
BRL	3.8450	3.1211	4.3117	3.2207
CNY	6.9884		7.0608	
USD	1.1041		1.0887	
HKD	8.6014	10.3025	8.4376	9.4170

c) *Translation of foreign currency items*

Transactions in a currency other than the functional currency are recognized at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in a currency other than the euro are subsequently adjusted at the exchange rate in effect at the end of the reporting period. Non-monetary assets and liabilities denominated in a currency other than the euro are recognized at historical cost using the exchange rate in effect when the transaction was initially recognized. Any currency differences arising from such translation are recognized through profit or loss in the income statement.

2.3 ACCOUNTING POLICIES

- **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is measured at purchase or production cost net of accumulated depreciation and any impairment losses. The purchase or production cost includes any charges incurred directly to bring the assets to working condition for their intended use, as well as any charges for disposal and removal that should be incurred as a result of contractual obligations that require restoring the asset to its original condition. Finance costs directly attributable to the purchase or construction of qualified assets are capitalized and depreciated over the useful life of the related asset.

Expenditure incurred for routine and/or cyclical maintenance and repairs are fully recognized directly in the income statement of the period in which they are incurred. Costs related to the expansion, modernization or improvement of structural components of owned assets are capitalized when such components meet the requirements for separate classification as assets or part of an asset in application of the component approach, which establishes that each component subject to separate determination of its useful life and related value must be treated individually.

Depreciation is recognized monthly on a straight-line basis based on rates that enable the asset to be fully depreciated by the end of its useful life.

The useful lives estimated by the Group for the main categories of fixed assets are as follows:

Land	Not depreciated
Buildings	2.5%
Plant and machinery	5-10%
Equipment	7- 12.5%
Other assets	7-20%

The useful lives of property, plant and equipment and the residual value of such assets are reviewed and updated as necessary at the end of each year. Land is not depreciated.

Assets under finance leases

Property, plant and equipment held by way of finance leases, which transfer substantially all risks and rewards of ownership to the Group, are recognized as assets of the Group at their fair value as of the lease

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

stipulation date or at the present value of the minimum lease payments due, whichever is lower, including any amounts to be paid when exercising the purchase option. The corresponding obligation to the lessor is included among financial liabilities. Assets are depreciated using the rates and policies described above, except in cases where the term of the lease is shorter than the useful life as defined above and there is no reasonable certainty of the actual transfer of ownership of the leased asset upon the natural expiration of the agreement. In such cases, the depreciation period is the lease term.

Leases in which the lessor maintains essentially all risks and benefits of ownership of the asset are considered to be operating leases. The costs related to operating leases are recognized on a straight-line basis through profit or loss throughout the duration of the agreement.

Sale and leaseback with finance leases

If a sale and leaseback transaction corresponds to a finance lease, any excess of the sale price paid over the carrying value is not recognized immediately as a gain, but rather is recognized as deferred income and recognized through profit or loss over the lease term.

- **INTANGIBLE ASSETS**

Intangible assets are identifiable, non-monetary items without physical substance, which generate future economic benefits. Goodwill is included when acquired for valuable consideration. Intangible assets are recognized at purchase and/or production cost including any directly attributable expenses incurred to prepare the asset for use and net of accumulated amortization and any impairment losses. Any interest expense accrued during and for the development of intangible assets is considered part of the purchase cost.

Amortization begins when the asset is available for use and is recognized systematically in relation to the remaining useful life of the asset.

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life, i.e. the estimated period in which such assets will be used by the Group. Intangible assets with a finite useful life are tested for impairment in order to determine whether those assets have suffered a loss in value (impairment loss) whenever there is any indication thereof.

Intangible assets with an indefinite useful life are not depreciated, but they are tested for impairment at least annually. The impairment test is described in the section on "impairment losses".

When part or all of a previously acquired business is sold, and goodwill had emerged on the acquisition, the corresponding residual value of goodwill is taken into account in determining the capital gain or capital loss on the sale.

(a) Industrial patents and intellectual property rights

Patents and intellectual property rights are amortized on a straight-line basis over their useful life.

(b) Concessions, licenses and trademarks

Concessions, licenses and trademarks are amortized on a straight-line basis over their respective term.

Costs for software licenses, including expenses incurred in order to make the software ready for use, are amortized on a straight-line basis over a period of 3 years.

Costs related to software maintenance are expensed as incurred.

(c) Research and development costs

Research costs are expensed as incurred, whereas development costs are recognized as intangible assets when all the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

- the technical feasibility of the project has been demonstrated;
- the intention to complete the project and to sell the intangible assets generated has been demonstrated;
- a potential market exists or, in the event of internal use, the utility of the intangible asset to produce the intangibles generated by the project has been demonstrated;
- the technical and financial resources needed to complete the project are available.

The amortization of any development costs recognized as intangible assets begins on the date on which the project becomes marketable.

In an identified internal project for the creation of an intangible asset, if the research stage is indistinguishable from the development stage, the cost of this project is fully recognized through profit or loss as if there had only been a research stage.

- **IMPAIRMENT OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS**

At each reporting date, a review is performed to determine whether there is any indication that assets have suffered an impairment loss. Both internal and external sources of information are taken into account for the impairment testing. Internal sources include: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the financial performance of the asset compared to expectations. External sources of information include: trends in the market price of the asset; any technological, market or legislative changes; trends in market interest rates or in the cost of capital used to measure the value of the investment.

If any such indication exists, the recoverable value of the asset is estimated, and any impairment loss compared to the current carrying value is recognized in the income statement. The recoverable value of an asset is its fair value less any costs to sell or its value in use (i.e. the present value of estimated future cash flows generated by the asset), whichever is greater. To determine value in use, the present value of expected future cash flows is calculated using a pre-tax discount rate that reflects the current market values of the cost of money based on the investment period and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the recoverable value is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying value of the asset or of the related cash-generating unit exceeds its recoverable value. Impairment of cash-generating units is initially recognized as a reduction of the carrying value of any goodwill attributed to it and subsequently as a reduction of the other assets proportionate to their carrying values and to the extent of their respective recoverable values. If the conditions for a previous impairment loss should cease to exist, the carrying value of the asset is reinstated and recognized in the income statement to the extent of the net carrying value that the asset would have had if it had not been written down and all related depreciation or amortization had been recognized.

- **INVESTMENT PROPERTY**

Investment property is property owned for the purpose of receiving rent payments, realizing a capital gain on the investment, or both, which generates cash flows that are largely independent of the other assets. Investment property follows the same measurement, recognition and depreciation criteria applied for property, plant and equipment.

- **TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS**

Trade receivables and other financial assets are initially recognized at fair value and subsequently at amortized cost in accordance with the effective interest rate approach, net of any write-downs. Trade receivables and other financial assets are included among current assets, excluding those contractually due after twelve months from the reporting date, in which case they are classified as non-current assets.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Impairment losses on receivables are recognized when there is objective evidence that the Group will not be able to collect the amount from the counterparty based on the terms of the related agreement.

Objective evidence includes events such as:

- significant financial difficulty of the issuer or debtor;
- pending legal disputes with the debtor concerning the receivables;
- the likelihood that the debtor will declare bankruptcy or will initiate other such financial restructuring procedures.

The amount of the writedown is measured as the difference between the carrying value of the asset and the present value of the future cash flows and is recognized in the income statement under "other costs". Uncollected receivables are eliminated from the statement of financial position and recognized in a provision for doubtful debts. If the reasons for a previous writedown should cease to exist in future periods, the value of the asset is reinstated at the value of its amortized cost without the writedown.

Financial assets are written off when the right to receive cash flows from them ceases or is transferred, or when the Group has substantially transferred all risks, rewards and control associated with the financial instrument to a third party.

- **DERIVATIVES**

Derivative instruments are used for strategic and financial hedging purposes. However, some conditions set by EU-IFRS concerning hedge accounting are not present, so the derivatives are recognized as trading instruments. Accordingly, derivatives are initially recognized at fair value, and subsequent changes in fair value are recognized as components of financial income and finance costs for the period.

- **DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial instruments listed on an active market is based on the market prices of the reporting date. The fair value of financial instruments not listed on an active market is determined using valuation approaches based on a series of methods and assumptions related to the market conditions as at the reporting date.

The fair value classification of financial instruments is set forth below based on the following hierarchical levels:

Level 1: fair value determined based on quoted (non-adjusted) prices in active markets for identical financial instruments;

Level 2: fair value determined using valuation techniques based on inputs that are observable in active markets;

Level 3: fair value determined using valuation techniques based on unobservable inputs in active markets.

Given the short-term nature of trade receivables and payables, we believe that the carrying value is a good approximation of their fair value.

For more information on the valuation of financial instruments at fair value based on this hierarchy, see note 3.5.

- **INVENTORIES**

Inventories are recognized at the lower of purchase or production cost and net realizable value, i.e. the amount that the Group expects to receive on their sale under normal business conditions, less costs to sell. The cost of inventories of raw and ancillary materials, consumables and finished products is determined by using the weighted average cost method.

The cost of finished products and semi-finished goods includes the costs of raw materials, direct labor and other production costs (based on normal operating capacity). Finance costs are not included in the measurement of inventories because the conditions for their capitalization are not present.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

- **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include available bank deposits and other forms of short-term investment with a maturity not exceeding three months. As of the reporting date, bank overdrafts are classified as current financial liabilities. The items included in cash and cash equivalents are measured at fair value, and subsequent changes are recognized through profit or loss.

- **TRADE PAYABLES AND OTHER LIABILITIES**

Trade payables and other liabilities are initially recognized at fair value net of directly attributable costs and are subsequently measured at amortized cost using the effective interest rate method.

- **FINANCIAL LIABILITIES**

Financial liabilities, which relate to loans, finance leases and other payment obligations, are initially recognized at fair value net of transaction costs and are subsequently recognized at amortized cost using the effective interest rate method. In the event of changes in the expected cash flows, the value of the liability is recalculated in order to reflect such change based on the present value of the new expected cash flows and using the initially determined internal rate of return. Financial liabilities are classified among current liabilities, excluding those with a contractual maturity of twelve months after the reporting date and excluding those for which the Group has the unconditional right to defer payment for at least twelve months from such date.

Purchases and sales of financial liabilities are recognized on the transaction settlement date.

Financial liabilities are eliminated from the statement of financial condition when paid in full and/or when the Group has transferred all risks and charges related to the instrument.

- **EMPLOYEE BENEFITS**

Short-term benefits include wages, salaries, related social security charges, compensation for unused vacation time, and incentives and bonuses payable within twelve months of the reporting date. These benefits are recognized as components of the cost of personnel during the period of service.

Pension funds

The companies of the Group have both defined-contribution and defined-benefit plans.

The defined-contribution plans are managed by external fund managers in relation to which there are no legal or other obligations to pay further contributions if the fund should have insufficient assets to meet the obligations toward employees. For those defined-contribution plans, the Group gives voluntary or contractually set contributions to both public and private pension funds. The contributions are recognized as costs of personnel on an accruals basis. Advance contributions are recognized as an asset to be reimbursed or used to offset any future payments due.

A defined-benefit plan is one that cannot be classified as a defined-contribution plan. In defined-benefit plans, the amount of the benefit to be paid to the employee is quantifiable solely upon termination of employment and is tied to one or more factors, such as age, seniority, and salary level. As such, the obligations of a defined-benefit plan are determined by an independent actuary using the projected unit credit method. The present value of a defined-benefit plan is determined by discounting the future cash flows at an interest rate that is equal to that of high-quality corporate bonds issued in the currency in which the liability is to be settled and which takes into account the term of the related pension plan. Actuarial gains or losses resulting from these adjustments are shown in the statement of comprehensive income as a component of such income. The Group manages solely one defined-benefit plan, which is the fund for employee severance indemnities (or "TFR"). This fund, which is a form of deferred remuneration, is mandatory for Italian companies in accordance with Article 2120 of the Italian Civil Code and is correlated to the length of employment and the salary received throughout the period of service. On January 1, 2007, Italian law no. 296 of December 27, 2006 ("2007 Financial Law"), and

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

subsequent law decrees and regulations introduced significant changes as to how this fund is to be handled, including the right for employees to choose whether their benefit is accumulated in a supplemental pension fund or in the "treasury fund" managed by INPS. As a result, the obligation toward INPS and the contributions to supplementary pension funds have, in accordance with IAS 19 – Employee Benefits, become defined-contribution plans, whereas the amounts contributed to the TFR fund as at January 1, 2007 maintain their status as defined-benefit plans.

- **PROVISIONS FOR RISKS AND CHARGES**

Provisions for risks and charges are recognized for certain or probable losses and other charges of a given nature, but for which the amount and/or timing cannot be determined. The provision for agency termination represents amounts that could be due as a result of the termination of agency relationships in effect as of the reporting date.

Provisions are recognized only when there is a present obligation (legal or constructive) for a future outflow of economic resources that has arisen as a result of past events and when it is probable that such outflow will be required to settle the obligation. The amount allocated represents the best estimate of the amount required to settle the obligation. The discount rate used to determine the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.

Where the effect of the time value of money is material and the payment dates of the obligations can be estimated reliably, the provisions are measured at the present value of the outflow expected using a rate that reflects current market conditions, the change in the time value of money, and the risks specific to the liability. Any increases in value of the provision attributable to changes in the time value of money are recognized as interest expense.

Risks for which a liability is only possible are disclosed as contingent liabilities, and no provision is allocated for them.

- **RECOGNITION OF REVENUES**

Revenues are recognized at the fair value of the consideration received for the sale of products and services of the Group's ordinary operations. Revenues are recognized net of value added tax, expected returns, rebates and discounts. Revenues are recognized as follows:

Sales revenues

Revenues from the sale of goods are recognized when the risks and rewards associated with the ownership of the goods are transferred to the buyer, the sales price is agreed or determinable, and such price is expected to be paid.

Interest income

Interest income is recognized in the consolidated income statement based on the effective rate of return. It refers primarily to interest earned on bank accounts.

- **GOVERNMENT GRANTS**

When formally authorized and when the right to their disbursement is deemed definitive based on reasonable certainty that the Group will meet the underlying conditions and that the grants will be received, government grants are recognized based on the matching concept of income and expenses.

Grants relating to assets

Government grants relating to fixed assets are recognized as deferred income among "other liabilities", either current for short-term portions or non-current for long-term portions. Deferred income is recognized in the income statement as "other operating income" on a straight-line basis over the useful life of the asset for which the grant is received.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Grants for operating expenses

Grants other than those relating to assets are recognized on the income statement under "other operating income".

- **RECOGNITION OF EXPENSES**

Expenses are recognized when relating to goods or services acquired or consumed during the period or when systematically allocated.

- **INCOME TAXES**

Current income taxes are calculated based on the taxable income for the period at the tax rates in effect on the reporting date.

Deferred taxes are calculated for differences emerging between the tax base of an asset or liability and its related carrying value, with the exception of goodwill and differences related to investments in subsidiaries when the timing of such differences is subject to control by the Group and it is probable that they will not be recovered in a reasonably foreseeable timeframe. Deferred tax assets, including those concerning accumulated tax losses, for the portion not offset by deferred tax liabilities, are recognized to the extent to which it is probable that there will be sufficient future taxable earnings to recover the deferred taxes. Deferred tax assets and liabilities are measured based on the tax rates expected to apply in the period in which the differences will be realized or settled.

Current and deferred taxes are recognized in the income statement under "income taxes", excluding those related to items shown in the consolidated statement of comprehensive income other than net profits and items recognized directly in equity. In the latter cases, deferred taxes are recognized under "income taxes related to other comprehensive income" in the consolidated statement of comprehensive income and directly in equity. Income taxes are offset when they are assessed by the same fiscal authority, there is a legal right to such offsetting, and the net balance is expected to be settled.

Other taxes unrelated to income, such as indirect taxes and other duties, are included with "other costs".

- **EARNINGS PER SHARE**

  - *Earnings per share—basic*

Basic earnings per share is calculated by dividing the Group's net profit by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares.

  - *Earnings per share—diluted*

Diluted earnings per share is calculated by dividing the Group's net profit by the weighted-average number of ordinary shares in circulation during the year, excluding treasury shares. To calculate diluted earnings per share, the weighted-average number of shares in circulation is adjusted by assuming the exercising of all rights that could potentially have a dilutive effect, and the Group's net profit is adjusted to take into account any effect, net of taxes, of exercising such rights.

- **RECENTLY ISSUED ACCOUNTING STANDARDS**

The Group's adoption of accounting standards and interpretations that are mandatory from January 1, 2015 did not have any significant effects on the financial statements. Below are the main standards that came into force on January 1, 2015:

- On May 20, 2013 the interpretation IFRIC 21—"Levies" was published, which provides clarifications on when to recognize a liability to pay a levy (excluding income taxes) imposed by a government. The

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

interpretation addresses both liabilities to pay a levy that fall within the scope of IAS 37—Provisions, Contingent Liabilities and Contingent Assets, and liabilities to pay a levy whose timing and amount is certain. The interpretation is applicable retrospectively for annual periods beginning on or after January 1, 2014.

- On December 12, 2013 the IASB published "Annual Improvements to IFRSs: 2011-2013 Cycle", which concerns amendments to some standards within the scope of the annual improvement process (including: IFRS 3 "Business Combinations—Scope exception for joint ventures", IFRS 13 "Fair Value Measurement—Scope of portfolio exception", IAS 40 "Investment Properties—Interrelationship between IFRS 3 and IAS 40"). The amendments are effective from annual periods beginning on or after July 1, 2014.

Accounting standards, amendments, and interpretations not yet effective and not applied in advance by the Group

As of this writing, the European Union authorities have approved the following accounting standards and amendments that are not yet effective for the Group.

- Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" (published on November 21, 2013): concerning the recognition of contributions from employees or third parties to defined benefit plans. The amendment is effective from annual periods beginning on or after February 1, 2014.
- Amendment to IFRS 11 "Joint Arrangements—Accounting for acquisitions of interests in joint operations" (published on May 6, 2014): concerning the accounting treatment of the acquisition of interests in a joint operation. The amendments are effective from January 1, 2016 but may be adopted early.
- Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture—Bearer Plants" (published on June 30, 2014): bearer plants, i.e. fruit trees that bear annual harvests (such as grape vines, hazelnut trees) must be accounted for in accordance with IAS 16 (instead of IAS 41). The amendments are effective from January 1, 2016 but may be adopted early.
- Amendments to IAS 16 "Property, plant and Equipment" and IAS 38 "Intangibles Assets—Clarification of acceptable methods of depreciation and amortization" (published on May 12, 2014): according to which the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, which is however a requirement for depreciation. The amendments are effective from January 1, 2016 but may be adopted early.
- Amendment to IAS 1—"Disclosure Initiative" (published on December 18, 2014): the amendments seek to clarify disclosures that could be perceived as impediments to a clear and intelligible preparation of financial reports. The amendments are effective from January 1, 2016 but may be adopted early.

These amendments are effective from annual periods beginning on or after February 1, 2016. Management does not expect the adoption of the amendments to impact the Group's consolidated financial statements.

Within the scope of its annual process to improve accounting standards, on December 12, 2013 IASB published "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 "Share Based Payments—Definition of vesting condition", IFRS 3 "Business Combinations—Accounting for contingent consideration", IFRS 8 "Operating segments—Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets", IFRS 13 "Fair Value Measurement—Short-term receivables and payables") and on September 25, 2014 it published "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations", IFRS 7—"Financial Instruments: Disclosures" and IAS 19—"Employee Benefits"), which partly integrate the previous standards. The amendments are effective from annual periods beginning on or after February 1, 2015 and from annual periods beginning on or after January 1, 2016.

2. SUMMARY OF ACCOUNTING STANDARDS (Continued)

Management does not expect the adoption of the amendments to impact the Group's consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT

The Group's business is exposed to various types of risk: market risk, credit risk and liquidity risk. The Group's risk management strategy focuses on market unpredictability and aims to minimize the potential adverse effects on the Group's financial performance. Some types of risk are mitigated through the use of derivatives.

Risk management is centralized with the Treasury Management function, which identities, assesses and hedges financial risks by working closely with the Group's business units. The Treasury Management function provides policies and guidelines for monitoring risk management particularly with respect to foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and ways to invest excess cash.

3.1 MARKET RISK

In performing its business activity, the Group is exposed to various market risks, particularly the risk of fluctuations of interest rates, foreign exchange rates, and cellulose assets and natural gas prices.

To contain such risk within the risk management limits defined at the start of the year, derivatives are stipulated for interest and foreign exchange risks.

The Group does not stipulate derivatives for speculative purposes.

Interest rate risk

The Group's interest rate risk originates primarily from long-term, variable-rate loans.

The variable-rate loans expose the Group to risk arising from interest rate volatility (cash flow risk"). The Group uses Interest Rate Caps (CAPs) to hedge such risk.

With CAPs, if the interest rate exceeds the strike price, the difference between the variable rate and the strike price is paid to the buyer.

Foreign exchange risk

The Group conducts business on an international level, so it is exposed to the foreign exchange risk deriving from the different currencies in which the Group operates (prevalently the U.S. Dollar, British Pound Sterling and Brazilian Real).

The foreign exchange risk originates from sales transactions that have not occurred yet and from assets and liabilities that are already recognized in the financial statements in currencies other than the Euro.

To hedge against risks associated with assets and liabilities already recognized in the financial statements in currencies other than the Group's functional currency, in some instances the Group uses currency forwards. The currency forward contracts usually have a maximum term of twelve months.

Price risk

The Group is exposed to price risk primarily on its cellulose and energy procurement, whose costs are subject to market volatility.

The Group controls the exposure to raw material and energy commodity price changes mainly by monitoring the costs incurred against the budget, with activities aimed to reduce costs and volatility risk through negotiations with suppliers, whenever possible.

Accounting for derivatives

The Group holds derivatives exclusively for hedging purposes.

3. FINANCIAL RISK MANAGEMENT (Continued)

However, although some derivatives are designated to hedge interest rate risk and foreign exchange risk, they are embedded with optional components that make them ineligible for hedge accounting: therefore, the changes in fair value of these derivatives follow the general rule observed for trading derivatives, i.e. they are recognized directly in profit and loss and affect the result for the period.

The tables below set forth the notional amounts of the derivatives at December 31, 2015 and 2014, according to their type.

	Maturity	As of December 31, 2015	As of December 31, 2014
		(in thousands of euros)	
CAP	2016	1,304	2,041
CAP	2016	163	934
Total		**1,467**	**2,975**

	As of December 31, 2015	As of December 31, 2014
	(Amounts in thousands)	
USD forward purchase	33,400	27,954
JPY forward purchase	—	11,331
EUR forward purchase	—	59
USD forward sale	1,597	4,356
GBP forward sale	3,200	2,678
Total		

The tables below set forth the fair values of the derivatives according to their type.

	As of December 31, 2015		As of December 31, 2014	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
	(in thousands of euros)			
Currency derivatives	16	792	102	981
Total	**16**	**792**	**102**	**981**

As of December 31, 2015, as a result of hedging through derivatives, the percentage of medium/long-term debt exposed to interest rate fluctuations is reduced to 1% (from the 3% of December 31, 2014).

Sensitivity analysis

A sensitivity analysis is set forth below, in which the impact of an increase or decrease in interest rates on the profit or loss for the period is presented:

	Year ended December 31, 2015 Gain / (Loss) +100 bps	Year ended December 31, 2015 Gain / (Loss) -100 bps
	(in thousands of euros)	
Finance leases	48	(74)
Other financing	992	(992)
Total	**1,040**	**(1,066)**

3. FINANCIAL RISK MANAGEMENT (Continued)

	Year ended December 31, 2014	
	Gain / (Loss)	
	+100 bps	-100 bps
	(in thousands of euros)	
Finance leases	96	(99)
Other financing	443	(443)
Total	**539**	**(542)**

A sensitivity analysis is set forth below, in which the impact of an increase/decrease in the exchange rates of the currencies in which the Group primarily operates on the profit or loss for the period is presented:

	Year ended December 31, 2015									
	USD		GBP		YEN		CHF		BRL	
	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%
	(in thousands of euros)									
Trade receivables	392	(479)	377	(460)	—	—	72	(88)	1,553	(1,898)
Trade payables	(2)	2	(7)	8	(7)	8	—	—	(1,161)	1,419
Financial receivables	—	—	1	(1)	—	—	(12)	15	—	—
Currency derivatives	(2,798)	3,404	(397)	484	—	—	—	—	—	—
Total	**(2,408)**	**2,927**	**(26)**	**31**	**(7)**	**8**	**60**	**(73)**	**392**	**(479)**

	Year ended December 31, 2014							
	USD		GBP		YEN		OTHER	
	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%
	(in thousands of euros)							
Trade receivables	497	(607)	366	(447)	—	—	—	—
Trade payables	(179)	219	(9)	10	(46)	57	—	—
Financial receivables	12	(14)	1	(1)	—	—	2	(3)
Currency derivatives	5,262	(3,041)	250	(291)	25	(26)	—	—
Total	**5,592**	**(3,443)**	**608**	**(729)**	**(21)**	**31**	**2**	**(3)**

3.2 CREDIT RISK

The credit risk essentially coincides with the amount of trade receivables recognized at the reporting dates. The Group has no significant concentration of credit risk and no customers that alone account for more than 4% of the Group's sales revenues.

All the same, procedures are in place to ensure that the sales of products and services are conducted with customers that have shown to be reliable in the past; moreover, insurance policies are stipulated to cover any unexpected losses. The Group also checks constantly its outstanding receivables, and monitors their collection within the established time limits.

The parties that handle cash and financial resource management are restricted to high-profile, reliable partners.

3. FINANCIAL RISK MANAGEMENT (Continued)

The following tables set forth the trade receivables as of December 31, 2015 and 2014, with separate indication of the provision for doubtful debts:

	As of December 31, 2015						
	Falling due	Past-due				Provision for doubtful debts	Total
		0-30	31-60	61-90	more than 90		
	(in thousands of euros)						
Trade receivables	226,813	17,053	6,298	1,903	14,863	(13,575)	253,355
Total	**226,813**	**17,053**	**6,298**	**1,903**	**14,863**	**(13,575)**	**253,355**

	As of December 31, 2014						
	Falling due	Past-due				Provision for doubtful debts	Total
		0-30	31-60	61-90	more than 90		
	(in thousands of euros)						
Trade receivables	159,421	26,459	20,378	13,694	32,394	(15,044)	237,302
Total	**159,421**	**26,459**	**20,378**	**13,694**	**32,394**	**(15,044)**	**237,302**

3.3 LIQUIDITY RISK

Liquidity risk concerns the ability to meet obligations arising on financial liabilities. Prudent management of the liquidity risk stemming from the Group's ordinary operating activities entails keeping up sufficient levels of cash holdings, short-term securities and funding available through adequate credit lines. The Group must have adequate stand-by credit lines in order to finalize contracts and collect invoices, to an extent that ensures financial flexibility. Management monitors the projections of cash turnover, including undrawn credit lines, and available cash and cash equivalents on the basis of expected cash flows.

As of December 31, 2015, the Group had stipulated credit lines of 334,950 thousand euros, including 95,232 thousand euros undrawn.

The following tables set forth a maturity analysis of the financial liabilities as of December 31, 2015 and 2014. The maturities are based on the period from the reporting date to the contractual maturity date of the obligations.

	As of December 31, 2015				
	On demand	Within 1 year	From 1 to 5 years	After 5 years	Total
	(in thousands of euros)				
Currency derivatives		776	—	—	**776**
Finance leases		(2,551)	(2,720)	(3,275)	**(8,546)**
Other financing		(51,113)	(104,213)	—	**(155,326)**
Trade payables		(222,972)	—	—	**(222,972)**
Total	**—**	**(275,860)**	**(106,933)**	**(3,275)**	**(386,068)**

	As of December 31, 2014				
	On demand	Within 1 year	From 1 to 5 years	After 5 years	Total
	(in thousands of euros)				
Currency derivatives		879	—	—	**879**
Finance leases		(2,522)	(5,035)	(3,521)	**(11,078)**
Other financing		(50,641)	(9,260)	—	**(59,901)**
Trade payables		(198,090)	—	—	**(198,090)**
Total	**—**	**(250,374)**	**(14,295)**	**(3,521)**	**(268,190)**

3. FINANCIAL RISK MANAGEMENT (Continued)

3.4 EQUITY RISK

The Group's objective in the area of equity risk management is primarily to maintain the going concern status in order to assure returns to shareholders and benefits to other stakeholders. The Group also has the objective of maintaining an optimal capital structure in order to reduce the cost of debt.

The Group monitors equity through the ratio of net financial debt to net invested capital ("gearing ratio"). Net invested capital is calculated as the sum of equity and net financial debt.

Below is the breakdown of the Group's net financial debt as of December 31, 2015 and 2014, determined in accordance with Committee of European Securities Regulators (CESR) Recommendation no. 05/054b, Paragraph 127, for implementation of EC Regulation no. 809/2004, and the gearing ratio as of December 31, 2015 and 2014:

		As of December 31, 2015	As of December 31, 2014
		(in thousands of euros)	
A	Cash holdings	130	96
B	Other current holdings	30,577	13,287
C	Securities held for trading	—	—
D	**Cash and cash equivalents (A+B+C)**	**30,707**	**13,383**
E	**Current financial receivables**	**6,377**	**4,422**
F	Current financial debt	(51,526)	(19,409)
G	Current portion of non-current financial debt	(53,665)	(53,163)
H	Other current financial debt	(16)	(102)
I	**Current financial indebtedness (F+G+H)**	**(105,207)**	**(72,674)**
J	**Net current financial indebtedness**	**(68,123)**	**(54,869)**
K	Non-current financial debt	(110,208)	(17,816)
L	Bonds issued	—	—
M	Other non-current financial debt	—	—
N	**Non-current financial indebtedness (K+L+M)**	**(110,208)**	**(17,816)**
O	**Net financial indebtedness (J+N)**	**(178,331)**	**(72,685)**
	Net invested working capital	538,059	417,597
	Gearing ratio	33.14%	17.41%

3. FINANCIAL RISK MANAGEMENT (Continued)

3.5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table presents the financial assets and liabilities aggregated by category with their fair values stated.

	As of December 31, 2015	
	Fair value through profit or loss	Loans and receivables
	(in thousands of euros)	
Financial assets	—	—
Non-current assets	**—**	**—**
Trade receivables	—	253,355
Financial assets	—	5,585
Cash and cash equivalents	—	30,707
Current derivatives	792	—
Current assets	**792**	**289,647**
Non-current amounts due to banks and other lenders	—	110,208
Non-current liabilities	**—**	**110,208**
Trade payables	—	222,972
Current amounts due to banks and other lenders	—	105,191
Current derivatives	16	—
Current liabilities	**16**	**328,163**

	As of December 31, 2014	
	Fair value through profit or loss	Loans and receivables
	(in thousands of euros)	
Financial assets	—	548
Non-current assets	**—**	**548**
Trade receivables	—	237,302
Financial assets	—	3,441
Cash and cash equivalents	—	13,383
Current derivatives	981	—
Current assets	**981**	**254,126**
Non-current amounts due to banks and other lenders	—	17,816
Non-current liabilities	**—**	**17,816**
Trade payables	—	198,090
Current amounts due to banks and other lenders	—	72,572
Current derivatives	102	—
Current liabilities	**102**	**270,661**

The fair value of the derivatives was determined using valuation techniques based on observable inputs in active markets (level 2).

4. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to apply accounting policies and methodologies that, in some cases, depend upon difficult or subjective assessments and estimates based on experience and assumptions deemed reasonable and realistic given the specific circumstances involved. Application of such estimates and assumptions affects the figures reported in the consolidated financial

4. USE OF ESTIMATES AND ASSUMPTIONS (Continued)

statements, including the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the related explanatory notes. The final results of the items for which such estimates and assumptions have been made may vary from those reported in the financial statements that show the effects of the occurrence of the event subject to the estimate, due to the uncertainty that characterizes the assumptions and the conditions on which the estimates were based.

The following is a brief description of the accounting policies that entail the greatest extent of management subjectivity in calculating estimates, and for which a change in the underlying conditions and assumptions could have a significant impact on the consolidated financial statements.

(a) Provision for doubtful debts

The provision for doubtful debts reflects management's best estimate of the losses on the total trade receivables. The estimate is based on the Group's expectations of losses, determined according to past experience with similar receivables, current and previous past-due statistics, careful monitoring of credit quality and projections of economic and market conditions.

(b) Provision for inventory obsolescence

The provision for inventory obsolescence reflects management's best estimate of the losses expected by the Group, determined on the basis of past experience, past trends and expected market trends.

(c) Income taxes

Deferred tax assets are recognized on the basis of expectations of future earnings. The assessment of expected earnings for the purpose of recognizing deferred taxes depends on factors that may vary over time and may have a significant impact on the measurement of deferred tax assets.

(d) Provision for warranty claims

The provision recognized for product warranty claims represents management's best estimate at the reporting date. The estimate entails making assumptions that depend on factors that may vary over time and may have a significant impact with respect to the current estimates made by management for the preparation of the Group's financial statements.

(e) Goodwill and fixed assets

The goodwill and fixed assets recognized in the consolidated financial statements are tested for impairment by calculating the value in use of the cash generating units ("CGU") to which goodwill has been allocated. Using different methods for the different business segments, the Fedrigoni Group conducted testing in which goodwill was allocated to a group of CGU that benefit from the synergies of the specific business combination (in accordance with IAS 36, paragraph 80).

The CGU/groups of CGU were identified, consistently with the Group's organizational and business structure, as uniform combinations able to generate cash flows independently from the continuing use of the assets allocated to them; the structures were grouped together at a regional level to identify the benefits deriving from the synergies.

Value in use was measured as the present value of the estimated future cash flows for each CGU in its current condition, excluding estimated future cash flows that could derive from future restructuring plans or other structural changes.

The Discounted Cash Flow (DCF) model was used, which requires future cash flows to be discounted with a risk-adjusted discount rate.

More information is reported in the Notes on impairment losses and intangible assets.

4. Use of estimates and assumptions (Continued)

The 2016-2018 business plan prepared by the subsidiaries' management and approved by the Group's management, used to prepare the impairment testing, is based on variables controllable by the Group's management and theoretical changes in exogenous variables not directly controllable or manageable by the Group's management.

If the main estimates and assumptions used to prepare the business plan should change, the value in use and the calculation of the recoverable value of the assets could change. Therefore, the Group is not able to assure that the assets disclosed in the financial statements as of December 31, 2015 will not suffer an impairment loss in the future.

5. Segment reporting

The criteria used to identify segments are consistent with the way in which the Group is managed. The division into segments for reporting purposes corresponds to the structure of the reports periodically examined by management.

The Fedrigoni Group's operations are split into two dedicated segments: Paper and Security, and Converting (self-adhesive products).

The Group's management evaluates the performance these segments, using the following as indicators:

- EBITDA;
- revenues by geographical segment, on the basis of where the products are sold, not where the billing company's office is located;
- investments in property, plant and equipment.

5. SEGMENT REPORTING (Continued)

The following tables break down EBITDA by segment, reconciled with the Group net profit.

2015:

	Year ended December 31, 2015				
	Paper and Security	Converting	Intercompany eliminations	Other	Total
	(in thousands of euros)				
Revenues from sales					
to third parties	680,497	296,484	—	—	976,981
to other Group companies	22,955	3,044	(25,999)	—	—
Total sales revenues	703,452	299,528	(25,999)	—	976,981
Other operating income	16,369	1,685	(1,181)	—	16,873
Operating expenses	(630,218)	(267,106)	27,077	(1,942)	(872,189)
Non-recurring expenses from the fire	2,403	—	—	—	2,403
Non-recurring expenses from white certificates	4,706	—	—	—	4,706
Fire insurance refund income	(8,150)				(8,150)
EBITDA (*)	**88,562**	**34,107**	**(103)**	**(1,942)**	**120,624**
Non-recurring expenses from the fire	(2,403)	—	—	—	(2,403)
Non-recurring expenses from white certificates	(4,706)	—	—	—	(4,706)
Fire insurance refund income	8,150	—	—	—	8,150
Depreciation, amortization and impairment losses					(36,814)
Operating income					**84,851**
Income from equity-accounted investments in associates					426
Financial income					16,939
Finance costs					(19,418)
Profit before tax					**82,798**
Income taxes					(25,021)
Net profit					**57,777**

5. SEGMENT REPORTING (Continued)

2014:

	Year ended December 31, 2014				
	Paper and Security	Converting	Intercompany eliminations	Other	Total
	(in thousands of euros)				
Revenues from sales					
to third parties	608,984	264,032	—	—	873,016
to other Group companies	22,019	2,739	(24,758)	—	—
Total sales revenues	631,003	266,771	(24,758)	—	873,016
Other operating income	12,953	2,955	(1,160)	—	14,748
Operating expenses	(547,257)	(244,906)	25,887	(3,370)	(769,646)
Non-recurring IPO costs	—	—	—	1,750	1,750
Non-recurring income from white certificates	(4,303)	(974)	—	—	(5,277)
EBITDA (*)	**92,396**	**23,846**	**(31)**	**(1,620)**	**114,591**
Non-recurring IPO costs	—	—	—	(1,750)	(1,750)
Non-recurring income from white certificates	4,303	974	—	—	5,277
Depreciation, amortization and impairment losses					(31,727)
Operating income					**86,391**
Income from equity-accounted investments in associates					28
Financial income					7,477
Finance costs					(11,912)
Profit before tax					**81,984**
Income taxes					(28,451)
Net profit					**53,533**

(*) EBITDA is defined by the Group as operating income before depreciation, amortization, impairment losses, and any non-recurring income and costs. EBITDA is not identified as an accounting measurement in IFRS and should therefore not be considered as alternative to the disclosures provided in the financial statements for the purpose of assessing the Group's performance.
The Company believes that EBITDA is an important variable for evaluating the Group's performance, allowing it to be monitored in a more analytical fashion. Because this information is not a measurement governed by the accounting standards followed in the Group's financial statements, the criteria used to determine it may not be consistent with those used by other groups and it should therefore not be compared with similar figures presented by such groups.

Shared unallocated costs ("Other") are a marginal amount referring to the Group's management structure. Each Segment has a complete and independent structure, able to fulfill its own functions. Eliminations mostly refer to inter-Segment margins eliminated during the aggregation phase. Transactions between the Segments are conducted at arm's length. "Expenses from the fire" refer to costs relating to the fire at the Verona plant in July 2015, recognized in the income statement. "Expenses from white (i.e. renewable energy performance) certificates refer to the portion of white certificates required by the relevant authorities to be refunded; after careful analysis, the project for which the certificates had been reported and assigned, and then sold by the Company in the respective market, was no longer considered feasible by such authorities. "Fire insurance refund income" refers to the refund obtained by the insurance company regarding the aforementioned fire at the Verona plant.

5. SEGMENT REPORTING (Continued)

Revenues are broken down below by geographical area:

	Year ended December 31,	
	2015	2014
	(in thousands of euros)	
Italy	326,485	315,462
Rest of Europe	370,838	350,082
Rest of World	279,658	207,472
Total	**976,981**	**873,016**

Below is the breakdown by Segment of investments in property, plant and equipment:

	Year ended December 31,	
	2015	2014
	(in thousands of euros)	
Paper and Security Segment	25,955	15,993
Converting Segment	6,596	6,563
Total	**32,551**	**22,556**

6. Property, plant and equipment

The changes in this item are detailed below.

	Land and buildings	Plant and machinery	Equipment	Other fixed assets	Work in progress and advances	Total
			(in thousands of euros)			
Balance as of January 1, 2014						
— Historical cost	210,258	539,219	15,323	15,252	7,684	787,736
— Accumulated depreciation	(71,470)	(408,455)	(9,271)	(12,104)	—	(501,300)
Net value	**138,788**	**130,764**	**6,052**	**3,149**	**7,684**	**286,436**
Changes in:						
— Investments	1,852	14,699	845	396	4,764	22,556
— Disposals	—	(1,913)	—	(16)	—	(1,929)
— Depreciation	(5,236)	(22,979)	(1,006)	(681)	—	(29,902)
— Impairment losses	(323)	(8)	—	(11)	—	(342)
— Exchange differences and reclassifications	829	6,520	2	12	(7,269)	94
Total changes	**(2,878)**	**(3,681)**	**(159)**	**(300)**	**(2,505)**	**(9,523)**
Balance as of December 31, 2014	**135,910**	**127,083**	**5,893**	**2,849**	**5,179**	**276,913**
Of which:						
— Historical cost	212,628	555,881	16,148	15,481	5,178	805,316
— Accumulated depreciation	(76,718)	(428,798)	(10,255)	(12,632)	—	(528,403)
Net value	**135,910**	**127,083**	**5,893**	**2,849**	**5,178**	**276,913**
Changes in:						
— Investments	4,437	22,804	1,053	989	3,268	32,551
— Disposals	(307)	(1,524)	—	(92)	—	(1,923)
— Depreciation	(5,490)	(25,688)	(1,062)	(811)	—	(33,051)
— Business combinations	6,688	27,661	57	961	574	35,941
— Impairment losses	—	—	—	—	—	—
— Exchange differences and reclassifications	(2,503)	(1,634)	(10)	(167)	(5,249)	(9,563)
Total changes	**2,825**	**21,619**	**38**	**880**	**(1,407)**	**23,955**
Balance as of December 31, 2015	**138,735**	**148,702**	**5,931**	**3,730**	**3,771**	**300,868**
Of which:						
— Historical cost	224,574	623,475	18,484	18,879	3,771	889,183
— Accumulated depreciation	(85,839)	(474,773)	(12,553)	(15,150)	—	(588,315)
Net value	**138,735**	**148,702**	**5,931**	**3,729**	**3,771**	**300,868**

The following table presents the net value of assets under finance leases at the respective reporting dates.

	Year ended December 31, 2015	Year ended December 31, 2014
	(in thousands of euros)	
Land and buildings	17,310	17,852
Plant and machinery	2,481	2,941
Total	**19,791**	**20,793**

6. Property, plant and equipment (Continued)

Cash flows relating to assets under finance leases are as follows:

	Year ended December 31, 2015	2014
	(in thousands of euros)	
Minimum lease payments due		
Within 12 months	2,829	2,867
From 1 to 5 years	3,509	5,930
After 5 years	4,210	4,634
Future finance costs	(2,002)	(2,353)
Present value of lease obligation	**8,546**	**11,078**

In the year ended December 31, 2015 the Group made new investments of 32,551 thousand euros, mainly for: *i)* expansion of the Paper and Security Segment equipment in order to boost production capacity; *ii)* enhancement of installation capacity; *iii)* a co-generation system at the Varone plant; *iv*) a new bobbin machine at the Arconvert S.p.A. plant. Other capital expenditures were made necessary by the fire at the Verona plant.

In fact, on July 2, 2015 a fire broke out accidentally at the Verona plant in the area occupied by continuous paper-making machines.

The accident directly affected the building and indirectly affected the machinery due to the collapse of part of the roof and to the use of chemical agents to extinguish the fire.

Thanks to the security procedures activated, no employees were harmed.

The production that had been planned at the damaged site was partially transferred to other manufacturing facilities of the Group, and in September, once the building, plant and machinery were fixed, it was possible for the machines to resume normal operation.

The costs incurred as a result of the incident are summarized in the table hereunder. The cost to repair and replace the building and machines or portions thereof damaged by the fire was euro 8,273 thousand, including costs of euro 2,403 thousand to transfer production to other facilities, restore the functionality of the building (not directly improve it), and for the loss of the assets destroyed.

An agreement was drawn up with the insurance company for a euro 8,150 thousand refund of the costs incurred, recognized as "other operating income" in the financial statements.

	Asset increases	Decreases	Provision reversal	Costs
	(in thousands of euros)			
Buildings	2,508	828	559	269
Plant and machinery	5,765	2,743	2,664	79
TOTAL	**8,273**	**3,571**	**3,223**	**348**
Waste disposal				1,512
Freight				303
Sundry consulting services				161
Employee-related expenses				18
Other expenses				61
TOTAL	**8,273**			**2,403**

The disposals, apart from those resulting from the fire, are attributable to the continuous process of improving the production equipment with alterations, replacement of machine parts and additions of new equipment.

Work in progress and advances consist of the costs incurred for equipment not used yet and advances granted to suppliers.

6. Property, plant and equipment (Continued)

"Business combinations" refer to the additional assets acquired by the Group pursuant to the acquisitions made during the year. They are detailed below:

	Land and buildings	Plant and machinery	Equipment	Other fixed assets	Work in progress and advances	Total
			(in thousands of euros)			
GPA Holding Company Inc.	—	752	—	173	574	**1,499**
Fedrigoni Brasil Papeis Ltda	6,688	26,909	57	788		**34,442**
Total—Business combinations	**6,688**	**27,661**	**57**	**961**	**574**	**35,941**

The values of the "land and buildings" and "plant and machinery" deriving from the acquisition of Fedrigoni Brasil Papeis Ltda were determined on the basis of an appraisal performed by independent experts. The fair value measurement of such assets resulted in values exceeding their carrying values by 2,256 thousand euros for land and buildings and 19,621 thousand euros for plant and machinery. No deferred tax liabilities were allocated on the additional values because they were recognized for tax purposes pursuant to an extraordinary transaction completed on January 1, 2016 (see Note on subsequent events).

As of December 31, 2015, excluding the leased assets, no property, plant or equipment was put up as collateral on loans received by the Group.

7. Intangible assets

The changes in this item are detailed below.

	Patent and intellectual property rights	Concessions, licenses and trademarks	Other intangible assets	Goodwill	Work in progress and advances	Total
			(in thousands of euros)			
Balance as of January 1, 2014	**2,873**	**34**	**348**	**—**	**1**	**3,256**
Changes in:						
— Investments	986	31	384	—	47	1,448
— Disposals	—	—	—	—	—	—
— Amortization	(1,325)	(18)	(89)	—	—	(1,432)
— Impairment losses	—	(2)	—	—	—	(2)
— Exchange differences and reclassifications	3	—	(28)	—	306	281
Total changes	**(336)**	**11**	**267**	**—**	**353**	**295**
Balance as of December 31, 2014	**2,537**	**45**	**615**	**—**	**354**	**3,551**
Changes in:						
— Investments	698	110	100	—	21	929
— Disposals	—	—	—	—	—	—
— Business combinations	—	9,138	25,995	34,523	—	69,656
— Amortization	(1,143)	(546)	(2,026)	—	—	(3,715)
— Impairment losses	—	—	—	—	—	—
— Exchange differences and reclassifications	(33)	(545)	(1,581)	(3,599)	—	(5,758)
Total changes	**(478)**	**8,157**	**22,488**	**30,924**	**21**	**61,112**
Balance as of December 31, 2015	**2,059**	**8,202**	**23,103**	**30,924**	**375**	**64,663**

Investments made in intangible assets in the year ended December 31, 2015 amounted to 929 thousand euros, and consist mostly of external costs incurred to purchase software and costs incurred to customize the software.

7. Intangible assets (Continued)

"Business combinations" refers to the additional intangible assets acquired by the Group as a result of the acquisitions made during the year. They are detailed below:

	Concessions, licenses and trademarks	Other intangible assets	Goodwill	Total
	(in thousands of euros)			
GPA Holding Company Inc.	6,569	18,368	16,311	41,248
Fedrigoni Brasil Papeis Ltda	2,569	7,627	18,212	28,408
Total—Business combinations	**9,138**	**25,995**	**34,523**	**69,656**

The values of "concessions, licenses and trademarks" deriving from the acquisitions refer primarily to trademarks of GPA Holding Company Inc and Fedrigoni Brasil Ltda, and were determined on the basis of an appraisal performed by independent experts. The value exceeding the carrying value as obtained by fair value measurement is 4,572 thousand euros for GPA Holding Company Inc and 2,569 thousand euros for Fedrigoni Brasil Papeis Ltda.

The other intangible assets are set forth below:

	GPA Holding	Fedrigoni Brasil Papeis	Total
Customer list	15,807	—	15,807
Technology	2,510	—	2,510
Cellulose contract	—	476	476
Energy contract	—	7,151	7,151
Other	51	—	51
Total	**18,368**	**7,627**	**25,995**

For both companies acquired, the value of intangible assets was determined on the basis of an appraisal performed by an independent expert within the scope of the fair value measurement of the assets acquired.

Like the other intangibles, the value of goodwill was determined on the basis of an appraisal performed by an independent expert.

Deferred tax liabilities were allocated on the fair value adjustments except for those of Fedrigoni Brasil Papeis Ltda, whose additional values were recognized for tax purposes pursuant to an extraordinary transaction, as noted previously.

Goodwill as of December 31, 2015 is set forth by Segment below:

	Dec. 31, 2015	%
	(in thousands of euros)	
Converting	5,310	15%
Paper and Security	29,213	85%
Total	**34,523**	**100%**

Impairment testing

As required by IAS 36, the Fedrigoni Group tested the carrying amounts of the tangible and intangible assets recognized in its consolidated financial statements as of December 31, 2015 with respect to their recoverable amounts. Goodwill is tested for impairment at least annually, even when no indications of impairment losses are present.

In accordance with IAS 36, the Fedrigoni Group identified the CGU representing the smallest identifiable group of assets able to generate largely independent cash inflows within the consolidated financial statements. CGUs were identified by taking into account the organizational structure, the type of business and the methods with which control is exercised over the operation of the CGU.

7. Intangible assets (Continued)

The CGUs identified by the Group to monitor goodwill operate and/or coincide are the legal entities to which the goodwill was allocated upon acquisition, since they benefit from the synergies of the business combination.

The CGUs in which goodwill is recognized/allocated, and on which the impairment testing was based, are as follows:

- 18,212 thousand euros—Brazil Paper and Security CGU;
- 11,001 thousand euros—U.S.A. Paper and Security CGU;
- 5,310 thousand euros—U.S.A. Converting CGU.

The assets were tested for impairment by comparing the carrying amount attributed to the CGU, including goodwill, with its recoverable amount (value in use). The value in use is the present value of the estimated future cash flows to be derived from continuing use of the assets referring to the cash generating units and the terminal value allocated to them.

In conducting the impairment test, the Fedrigoni Group used the most recent financial budgets/forecasts for the 2016-2018 period (as described in the section on the use of estimates), assuming that its assumptions were reliable and its budget targets would be reached. In preparing its projections, management made assumptions based on past experience and expectations of the development of the business segments in which the Group operates.

The terminal value was calculated by using a growth (g) rate of 2.5% for the CGU operating in Brazil and 2.1% for the CGU operating in the U.S.A., in line with the average growth rate of the countries in which the CGUs operate.

The discount rate used (WACC) reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate for the assets in Brazil, net of taxes, is 13.1%, and for the assets in the U.S.A. is 5.3%.

No impairment loss emerged from the impairment test conducted.

Since the recoverable amount is determined on the basis of estimates, the Group is not able to assure that goodwill will not suffer an impairment loss in future periods.

In addition, the Group performed sensitivity analysis using deteriorated variables of the impairment test, WAAC and g rate. The discount rate was raised by one percent, and the g rate of the terminal value was reduced by one percent. No impairment loss emerged from the sensitivity analysis conducted.

8. Investment property

The changes in this item are detailed below.

	Land and buildings
	(in thousands of euros)
— Historical cost	1,610
— Accumulated depreciation	(552)
Balance as of January 1, 2015	**1,058**
Changes in:	
— Depreciation	(48)
Total changes	**(48)**
Balance as of December 31, 2015	**1,010**
Of which:	
— Historical cost	1,610
— Accumulated depreciation	(600)
Net value	**1,010**

8. Investment property (Continued)

Most investment property is under operating leases, through which the Group retains substantially all the risks and rewards of the property ownership.

The future cash flows relating to the outstanding leases at each reporting date are set forth below:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Within 12 months	21	21
From 1 to 5 years	13	30
After 5 years	—	—
Total	**34**	**51**

9. Equity-accounted investments in associates

This item (1,710 thousand euros) is represented by the investment in Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l., an entity that produces hydroelectric power, in which the Group owns a 25% stake. At the time of preparation of the consolidated financial statements, the financial statements of Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l. had not been approved by its Board of Directors yet.

The key financial information relating to the most recent approved financial statements is provided below.

	As of December 31,
	2014
	(in thousands of euros)
Assets	22,206
Liabilities	10,723
Revenues	5,295

10. Tax credits

This item is detailed below:

	As of December 31,					
	2015			2014		
	Non-current	Current	Total	Non-current	Current	Total
	(in thousands of euros)					
Tax credits	3,807	2,913	6,720	3,964	743	4,707
Total	**3,807**	**2,913**	**6,720**	**3,964**	**743**	**4,707**

The non-current tax credits include 3,650 thousand euros referring to a corporate income tax ("IRES") refund claim regarding years 2007 to 2011 for regional business tax ("IRAP") paid on personnel costs and not deducted for IRES purposes pursuant to Law Decree no. 201, Article 2, paragraph 1 quarter of December 6, 2011 and Italian Revenue Agency Director Provision no. 2012/140973 of December 17, 2012. The remainder refers to the non-current portion of the tax credit relating to a tax bonus on investments (under the "Tremonti-*quater*" law).

The current tax credits refer to the income tax credits for 2015.

11. Deferred tax assets and liabilities

This item is detailed below:

	Year ended December 31, 2015	Year ended December 31, 2014
	(in thousands of euros)	
Deferred tax assets		
Deferred tax assets recoverable after 12 months	18,139	19,947
Total deferred tax assets	**18,139**	**19,947**
Deferred tax liabilities		
Deferred tax liabilities to be settled after 12 months	(23,799)	(19,043)
Total deferred tax liabilities	**(23,799)**	**(19,043)**
Total net deferred tax assets/(liabilities)	**(5,660)**	**904**

The composition of these balances is shown below:

	As of December 31, 2014	Effect on Income Statement	Effect on Statement of Comprehensive Income	Perimeter change	As of December 31, 2015
			(in thousands of euros)		
Elimination of capital gains on intercompany sales of trademarks and land	1,917	(645)	—	—	1,272
Inventory valuation	4,357	769	—	—	5,126
Valuation of trade receivables	2,519	(273)	—	—	2,246
Provisions for risks and charges	4,387	(2,234)	—	—	2,153
Difference between fiscal and statutory values of tangible and intangible assets	2,851	(431)	—	—	2,420
Tax losses	2,895	(295)	—	—	2,600
Other	1,021	444	—	857	2,322
Total deferred tax assets	**19,947**	**(2,665)**	**—**	**857**	**18,139**

	As of December 31, 2014	Effect on Income Statement	Effect on Statement of Comprehensive Income	Perimeter change	As of December 31, 2015
			(in thousands of euros)		
Valuation of tangible and intangible assets	2,957	(542)	—	8,284	10,699
Effect of lease-back transaction	10,591	(1,560)	—	—	9,031
Recognition of finance leases	3,163	(456)	—	—	2,707
Actualization of employee benefits	(390)	(20)	267	—	(143)
Actualization of social security liabilities	167	(42)	—	—	125
Exchange differences and other	2,555	(1,803)	628	—	1,380
Total deferred tax liabilities	**19,043**	**(4,423)**	**895**	**8,284**	**23,799**

The perimeter change of 8,284 thousand euros refers primarily to the deferred tax liabilities accounted for by GPA Holding Company Inc. on the additional value of the tangible and intangible assets recognized with fair value measurement as compared to the value for tax purposes.

As of December 31, 2015 the tax-deferred reserves were 20,050 thousand euros, which in the event of distribution becomes taxable income. No distribution or related use of such reserves is foreseen that could result in taxation, so corresponding deferred tax liabilities were not accounted for in the financial statements.

11. Deferred tax assets and liabilities (Continued)

Concerning the Group's Italian companies, pursuant to the entering into force of Italian Law 208 of December 28, 2015 (2016 Stability Law), which reduces the IRES rate from 27.5% to 24% as from 2017, the temporary differences that are expected to be released in the same year were adjusted to the new rate.

Deferred tax assets were not recognized for the tax losses of 12,394 thousand euros as of December 31, 2015 (13,086 thousand euros as of December 31, 2014), accrued by some foreign companies, because the availability of future profits to enable their recovery was not deemed probable.

12. Trade receivables

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Gross trade receivables	266,930	252,346
Provision for impairment of trade receivables	(13,575)	(15,044)
Net trade receivables	**253,355**	**237,302**

The increase in trade receivables reflects the acquisitions made during the year: 9,179 thousand euros regards GPA Holding Company Inc. and 8,804 thousand euros regards Fedrigoni Brasil Papeis Ltda.

The table below presents the changes in the provision for doubtful debts:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Balance at beginning of the period	**15,044**	**12,580**
Changes:		
— Charge	3,491	6,519
— Use	(4,335)	(4,055)
— Business combinations	143	—
— Exchange differences	(768)	—
Total changes	**(1,469)**	**2,464**
Balance at end of the period	**13,575**	**15,044**

13. Other assets

"Other assets" is stated in the financial statements net of the related provisions:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Other assets—gross	24,464	11,551
Provision for impairment of other receivables	(127)	(480)
Other assets—net	**24,337**	**11,071**

13. Other assets (Continued)

The item is detailed below:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Other assets—gross		
—Sundry receivables	9,791	5,291
—Other tax credits	741	424
—Prepaid expenses and accrued income	2,436	2,171
—VAT credit	7,932	1,806
—Credit for grants receivable	422	447
—Security deposits	2,603	465
—Due from social security entities	288	300
—Due from employees	124	167
Total other assets	**24,337**	**11,071**
Of which: non-current	3,880	2,158

The sundry receivables include 6,650 thousand euros deriving from the insurance refund for fire damages at the Verona plant.

The increase in VAT credit is attributable mainly to the acquisition of Fedrigoni Brasil Papeis Ltda, which had a credit of 5,662 thousand euros at the end of the period.

The acquisition of Fedrigoni Brasil Papeis Ltda accounts for 1,882 thousand euros of the increase in security deposits.

The table below presents the changes in the provision for impairment of other assets:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Balance at beginning of the period	**480**	**500**
Changes:		
—Charge	—	1
—Use	(353)	(21)
Total changes	**(353)**	**(20)**
Balance at end of the period	**127**	**480**

14. Inventories

This item is detailed below:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Raw materials	72,165	65,036
Work in progress and semi-finished goods	33,645	31,058
Finished products	80,680	65,180
Total	**186,490**	**161,274**

The inventory increase is partly result of the acquisitions (8,642 thousand euros for Fedrigoni Brasil Papeis Ltda and 13,556 thousand euros for GPA Holding Company Inc.) and partly the result of higher fibrous raw material prices.

14. Inventories (Continued)

Inventories are shown net of the provision for inventory obsolescence as detailed below:

	Provision for raw material obsolescence	Provision for obsolescence of semi-finished goods and finished products	Total
	(in thousands of euros)		
As of December 31, 2013	**2,540**	**7,347**	**9,887**
Charge	1,915	901	2,816
Use	(138)	(756)	(894)
Exchange differences	(500)	(113)	(613)
As of December 31, 2014	**3,817**	**7,379**	**11,196**
Charge	596	1,214	1,810
Use	(151)	(571)	(722)
Business combinations	966	1,143	2,109
Exchange differences	(333)	(144)	(477)
As of December 31, 2015	**4,895**	**9,021**	**13,916**

The increase in the provision is due primarily to the new acquisitions (at the end of the year GPA Holding Company Inc. and Fedrigoni Brasil Papeis Ltda had provisions of 184 thousand euros and 1,788 thousand euros, respectively).

No inventories were put up as collateral to guarantee loans received by the Group.

15. Financial assets

This item is detailed below:

	As of December 31,					
	2015			2014		
	Non-current	Current	Total	Non-current	Current	Total
	(in thousands of euros)					
Financial assets	—	5,585	5,585	548	3,441	3,989
Total	**—**	**5,585**	**5,585**	**548**	**3,441**	**3,989**

The current financial assets refer to the amount due from the Parent company deriving from an intercompany cash pool account (5,585 thousand euros as of December 31, 2015 and 3,441 thousand euros as of December 31, 2014). In 2014 the non-current financial assets included an interest-free loan of 548 thousand euros granted to associate Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l., which was repaid in 2015.

16. Cash and cash equivalents

This item is detailed below:

	As of December 31,	
	(in thousands of euros)	
	2015	2014
Bank deposits	30,561	13,278
Checks outstanding	16	9
Cash and cash equivalents on hand	130	96
Total	**30,707**	**13,383**

There are no restrictions on the use of the cash and cash equivalents balance.

17. Derivatives

The information on derivatives is provided in Note 3.1.

18. Equity

The equity as of December 31, 2015 is set forth below:

	As of December 31, 2015
	(in thousands of euros)
Share capital	40,000
Share premium reserve	51,829
Other reserves	192,656
Retained earnings	75,243
Equity	**359,728**

The share capital was 40,000,220 as of December 31, 2015, consisting of 80,000,440 ordinary shares with a par value of Euro 0.50 per share.

19. Due to banks and other lenders

This item is detailed below:

	As of December 31, 2015							
	Interest rate	Current portion	Portion due after 12 months					Total
			2017	2018	2019	2020	Afterward	
			(in thousands of euros)					
Current financial debt		51,527	—	—	—	—	—	**51,527**
Finance leases	Variable	2,551	2,017	222	234	247	3,275	**8,546**
Other financing	Variable	51,113	54,344	34,134	9,985	5,750	—	**155,326**
Total		**105,191**	**56,361**	**34,356**	**10,219**	**5,996**	**3,275**	**215,399**

	As of December 31, 2014							
	Interest rate	Current portion	Portion due after 12 months					Total
			2016	2017	2018	2019	Afterward	
			(in thousands of euros)					
Current financial debt		19,409	—	—	—	—	—	**19,409**
Finance leases	Variable	2,522	2,558	2,019	224	234	3,521	**11,078**
Other financing	Variable	50,641	4,708	4,441	111	—	—	**59,901**
Total		**72,572**	**7,266**	**6,460**	**335**	**234**	**3,521**	**90,388**

Current financial debt

As of December 31, 2015 the current financial debt was 51,527 thousand euros (19,409 thousand euros as of December 31, 2004). The amounts refer to bank balances and financial instruments used by Group companies to manage short-term cash flow requirements. The short-term borrowing instruments generally used by the Group are as follows:

- bank account advances for the presentation of collection orders;
- unsecured loans for periods ranging from 1 to 12 months. The interest charged is generally the Euribor plus a spread, on average not exceeding 250 bp.

Finance leases

The amount of 2,551 thousand euros as of December 31, 2015 (2,522 thousand euros as of December 31, 2004) represents the remaining balance at each reporting date on finance leases stipulated by the Group.

19. Due to banks and other lenders (Continued)

The leases outstanding on December 31, 2015 are charged variable interest, mainly tied to the Euribor plus a variable spread ranging from 60 to 145 bp.

Other financing

The amount of 51,113 thousand euros as of December 31, 2015 (50,641 thousand euros as of December 31, 2004) represents the remaining balance at each reporting date on loans granted by banks to Group companies.

A loan of 3,750 thousand euros was granted to Arconvert SA in October 2014, repayable in 36 monthly installments starting from October 2014; variable interest is charged at the 6m Euribor plus a spread of 224 bp until September 2017. The remaining balance as of December 31, 2015 is 2,201 thousand euros.

The changes in the other financing granted to Fedrigoni S.p.A. during the year were as follows:

	2014	Increases	Repayments	2015	Maturity
			(in thousands of euros)		
Credito Emiliano	10,000	—	(3,292)	6,708	Jan. 11, 2017
GE Capital Spa	10,000	—	(10,000)	—	
Banca Popolare di Verona	—	15,000	(1,875)	13,125	June 30, 2019
Unicredit	—	30,000	(5,000)	25,000	May 20, 2018
Cariveneto	—	20,000	(2,000)	18,000	May 18, 2020
Barclays Bank	15,000	20,000	(15,000)	20,000	September 16, 2018
Banca Sella	484	—	(120)	364	Oct. 31, 2018
Banca Sella	—	5,000	(354)	4,646	March 31, 2019
Banca BNL	—	20,000	—	20,000	Dec. 9, 2016
Banca BNL	20,000	20,000	(20,000)	20,000	March 31, 2018
MPS	—	15,000	—	15,000	Dec. 31, 2020
Credito Valtellinese	—	10,000	—	10,000	July 5, 2018
Factor GE Capital	952	16,967	(17,637)	282	N/A
Total other financing	**56,436**	**171,967**	**(75,278)**	**153,125**	

The variable interest rate charged on the financing is the 3m Euribor plus a spread ranging from 60 to 150 bp.

For some loans, the Group is required under covenants to maintain the following financial ratios:

	Covenants
Credito Emiliano	debt/equity < 7.30; Ebitda/interest expense > 2.40
Banca Popolare di Verona	debt/Ebitda < 3.00
Unicredit	debt/Ebitda < 2.50; debt/equity < 1.00; Ebitda/interest expense > 9
Cariveneto	debt/Ebitda < 2.00; debt/equity < 1.00
Barclays Bank	debt/Ebitda < 2.50; debt/equity < 1.00
BNL	debt/Ebitda < 2.50; debt/equity < 1.00
BNL	debt/Ebitda < 2.50; debt/equity < 1.00
MPS	debt/Ebitda < 2.50; debt/equity < 1.00

Except for Credito Emiliano, the banks require the ratios to be calculated from Fedrigoni S.p.A.'s IFRS Consolidated Financial Statements. Credito Emiliano requires them to be calculated from the Holding company's Italian GAAP Consolidated Financial Statements.

As of December 31, 2015 those ratios were within the acceptable limits.

20. Employee benefits

The changes in this item are presented below:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Opening balance	21,272	19,584
Service cost	(322)	—
Interest costs	341	608
Actuarial gains/(losses)	(969)	2,226
Benefits paid	(1,469)	(1,146)
Closing balance	**18,853**	**21,272**

The actuarial assumptions used to determine the liability for employee benefits are detailed below:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Economic assumptions		
Inflation rate	1.5%	1.5%
Discount rate	2.0%	1.6%
Salary increment	3%	3%
"TFR" (provision for severance indemnities) rate of increase	3%	3%
Demographic assumptions		
Staff turnover	3.5%	2.9%
Advance payouts	3%	3%

21. Provisions for risks and charges

This item is detailed below:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Provision for agency termination	1,428	1,483
Provision for environmental risks	1,008	899
Provision for sundry risks	9,638	12,036
Total	**12,074**	**14,418**

The changes in this item are presented below:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Opening balance	14,418	8,105
Charge	1,357	9,406
Use	(6,814)	(3,093)
Exchange differences	(963)	—
Business combination	4,076	—
Closing balance	**12,074**	**14,418**

The provision for agency termination represents the present value of cash outlays that could be due in the event of termination of the agency relationships in effect as of the reporting date.

The provision for environmental risks refers to outlays that the Group considers necessary to clean up some of the land it owns.

21. Provisions for risks and charges (Continued)

"Business combination" refers to the provision for sundry risks deriving from the acquisition of Fedrigoni Brasil Papeis Ltda.

The decrease in the provision for sundry risks is due primarily to the use of the provision for warranty claims and of the provision for contractual price adjustments, as described subsequently.

The provision for sundry risks consists of the following:

- The provision for warranty claims (3,315 thousand euros) consists of costs that could be incurred in the event of claims regarding supplies of banknotes, security products and other paper products. The provision decreased by an annual 1,228 thousand euros due to the settlement of some claims regarding previous periods. The remaining decrease of euro 1,625 thousand euros is due to the release of part of the provision, with a consequential contra entry in the income statement, as it was considered in excess of the appropriate amount. In addition to covering specific issues, for which negotiations to settle claims are still in progress, the provision serves to cover costs that are reasonably expected to be incurred, on the basis of past experience, to satisfy the warranty obligations.

- The provision for supply penalties allocated in the financial statements for the year ended December 31, 2014 specifically for the risk of price adjustments on an important order of banknote sales was completely used up for the circumstances foreseen by contract for which the provision had been set up.

- Other sundry risks (6,323 thousand euros) refer to liabilities deemed likely to ensue from pending lawsuits, disputes, business arrangements entered into by the Group and other risks, representing a prudent appreciation of the cost estimated at the end of the period. For some time Fedrigoni S.p.A. has had a dispute with the Italian tax authorities concerning diverging application and payment criteria for electricity consumption taxes. With respect to the dispute regarding years 1993 to 1997, since Fedrigoni S.p.A. considers the tax claims to be unjustified both on their merits and by law, it filed an appeal with the Italian Supreme Court to overturn the Ancona Appellate Court's decision with which the lower court denied the previous appeal. Pursuant to that decision, the contested amount of euro 511 thousand had been paid in the previous year. The Italian Ministry of Finance, which by now considers the tax payment criteria to be definite, served a notice of payment for years 2008 to 2013 regarding electricity consumption at the Rocchetto plant, and another notice of payment for years 2008 to 2012 regarding electricity consumption at the Castelraimondo plant. Fedrigoni S.p.A., which continues to maintain its position based on the groundlessness and illegitimacy of the claims, filed appeals at the Ancona and Macerata Provincial Tax Commissions. In 2014 the Commissions met with each other, and although the Macerata Provincial Tax Commission fully accepted the appeal, the Ancona Provincial Tax Commission accepted only part of it and reduced the penalties imposed considerably, but denied the grounds regarding the calculation of the taxes. The Company, conscious of the validity of its arguments, which are also backed up by opinions of external consultants, filed for appeal and opposed the demands of the other party. The Italian tax authorities, encouraged by the new ruling, served notices of payment for 2014 and 2015 limited however to the portion of consumption of the plant located in the Province of Ancona. Fedrigoni S.p.A. filed an appeal against this claim as well at the Ancona Provincial Tax Commissions. The probable cost of the dispute is included in the provision.

  In 2007 the Italian Agency for Investment Promotion and Enterprise Development (formerly Sviluppo Italia S.p.A.) served a writ of summons for presumed amounts owed to it as a result of an acquisition in 1984 by Cartiere Miliani Fabriano S.p.A., which has since been absorbed into Fedrigoni S.p.A. The absorbed company entered an initial appearance to deny the claims and request a conviction for breach of contract with respect to the guarantee obligations included in the acquisition agreement. The provision covers the relevant contingent liabilities.

  On March 9, 2014 the Italian tax authorities filed an appeal at the Italian Supreme Court restricted to a residual part of the decision issued by the Marche Regional Tax Commission, which had fully accepted

21. Provisions for risks and charges (Continued)

the appeal filed regarding direct taxes of 2000 and 2001. Nevertheless, the Company decided to hold out and notified a counterclaim at the Attorney General's Office.

The provision for sundry risks also includes 3,724 thousand regarding Fedrigoni Brasil Papeis Ltda, and is set up primarily to cover the liabilities deemed probable that could arise from lawsuits regarding the main Brazilian taxes (IPI, PIS, Cofins and IRPJ) for 2,340 thousand euros and pending litigation with employees for 1,171 thousand euros.

22. Trade payables and other liabilities

This item is detailed below:

	As of December 31,	
	2015	2014
	(in thousands of euros)	
Trade payables	**222,972**	**198,090**
Other liabilities:		
—Due to employees	14,996	13,263
—Accrued expenses and deferred income	794	606
—Social security	7,861	7,934
—Withholding taxes	5,201	4,503
—Sundry payables	6,215	2,018
—Due to supplementary pension fund	1,454	1,454
—Advances	34	72
—VAT due	1,349	1,419
—Due to Directors and Statutory Auditors	777	1,415
—Sundry tax liabilities	1,197	312
—Tax liabilities from suspended payments under earthquake relief	1,092	1,398
Other liabilities	**40,970**	**34,394**
Total	**263,942**	**232,484**
Of which: non-current	*1,341*	*1,928*

The increase in other liabilities is attributable primarily to the acquisitions made during the year. Sundry payables include 1,792 thousand euros deriving from Fedrigoni Brasil Papeis Ltda and 1,468 thousand euros from GPA Holding Company Inc.

Concerning "tax liabilities from suspended payments under earthquake relief", companies of the Group located in areas struck by the 1997 earthquake benefited from the suspension of tax and social security payments for some periods (starting from 1997). In 2008 tax and social security authorities granted tax relief to businesses in the form of: *i)* a 60% reduction of the accrued unpaid tax and social security liabilities; and *ii)* payment deferral over 10 years of the remaining 40% of the total amount. Accordingly, the item shows the present value of the amounts that the companies will pay in 10 years (starting from 2008).

23. Current tax liabilities

The decrease in current tax liabilities, which were 991 thousand euros as of December 31, 2015 (13,268 thousand euros as of December 31, 2014), is due to the fact that the Group had a credit balance for the annual income taxes of 2015.

NOTES TO THE INCOME STATEMENT

24. Sales revenues

This item is detailed below:

	Year ended December 31, 2015	2014
	(in thousands of euros)	
Revenues from sales of products	981,211	876,257
Awards for customers	(5,507)	(4,372)
Other sales revenues	1,277	1,131
Total	**976,981**	**873,016**

The total sales revenues include 35,923 thousand euros deriving from the acquisition of Fedrigoni Brasil Papeis Ltda and 50,157 thousand euros from GPA Holding Company Inc.

Excluding such revenues, the annual increase in sales revenues is 17,885 thousand euros due to higher quantities sold and higher prices.

25. Other operating income

This item is detailed below:

	Year ended December 31, 2015	2014
	(in thousands of euros)	
Other revenues	4,564	11,793
Sundry non-financial income	9,593	1,770
Contingent gains and unrealized costs	2,550	345
Grants for operating expenses	104	516
Other	62	324
Total	**16,873**	**14,748**

The other revenues derive primarily from the sale of electricity by the manufacturing companies and the sale white certificates. In 2014 they included 5,277 thousand euros in non-recurring income from white certificates relating to investment incurred in previous years but authorized in the year ended December 31, 2014.

The sundry non-financial income refers primarily (8,150 thousand euros) to the insurance refund regarding the fire at the Verona plant in the year, paid in February 2016.

The increase in contingent gains regards mainly the excess of the provision for warranty claims, as described in the section on sundry risk provisions.

26. Cost of materials

This item is detailed below:

	Year ended December 31, 2015	2014
	(in thousands of euros)	
Raw material purchases	529,728	437,486
Purchases of ancillary materials and consumables	1,335	1,466
Change in inventories	(3,057)	(3,850)
Total	**528,006**	**435,102**

The increase in raw material costs is partly the result of the acquisitions made in the year (28,051 thousand euros for GPA Holding Company Inc. and 16,697 thousand euros for Fedrigoni Brasil Papeis Ltda) and partly related to the sales performance.

27. Cost of services

This item is detailed below:

	Year ended December 31, 2015	Year ended December 31, 2014
	(in thousands of euros)	
Freight	66,193	59,222
Natural gas	42,276	43,217
Commissions paid	13,972	21,405
Maintenance	9,392	8,441
Leases and rentals	8,170	7,978
Electricity	9,956	8,401
Consulting services (administrative, legal, tax, technical)	8,312	5,114
Advertising and publicity	6,846	6,284
Outsourced production	3,329	3,362
Insurance	4,252	3,874
Travel expenses	3,689	2,865
Waste disposal	3,773	2,140
Outsourced labor	5,484	4,498
Telephone expenses	960	716
Water	145	181
Directors and Statutory Auditors	3,462	3,852
Other services	8,794	7,902
Total	**199,005**	**189,452**

The increase in the cost of services is largely affected by the acquisitions, specifically 8,224 thousand euros regarding GPA Holding Company Inc. and 8,083 thousand euros regarding Fedrigoni Brasil Papeis Ltda.

The increase in transport costs is attributable to the greater volumes produced, whereas the decrease in natural gas and electricity costs is related to lower rates.

The decrease in commission expense is due in part to the acquisitions (3,262 thousand euros for GPA Holding Company Inc. and 1,278 thousand euros for Fedrigoni Brasil Papeis Ltda) and in part to a different sales mix and new sales conditions for certain high-value products.

The increase in waste disposal costs is attributable largely to the greater costs (1,151 thousand euros) incurred as a result of the fire at the Verona plant.

28. Cost of personnel

This item is detailed below:

	Year ended December 31, 2015	Year ended December 31, 2014
	(in thousands of euros)	
Wages and salaries	98,145	89,807
Social security contributions	29,625	28,061
Period accrual for defined contribution and defined benefit plans	5,458	5,565
Other costs	3,276	2,015
Total	**136,504**	**125,449**

The increase in the cost of personnel is essentially due to the increased workforce, from 2,199 employees at December 31, 2014 to 2,653 employees at December 31, 2015 mainly as a result of the acquisitions and the new company established in Shanghai (113 employees at GPA Holding Company Inc., 385 at Fedrigoni Brasil Papeis Ltda and 10 at Fedrigoni Trading (Shanghai) Company Limited).

28. Cost of personnel (Continued)

The Group's employee headcount numbers are shown below:

	Year ended December 31,	
	2015	2014
	(in thousands of euros)	
Management	63	42
White-collar employees	963	733
Blue-collar employees	1,627	1,424
Total	**2,653**	**2,199**

29. Other costs

This item is detailed below:

	Year ended December 31,	
	2015	2014
	(in thousands of euros)	
Writedowns of receivables and other assets	2,321	7,869
Contingent losses and unrealized income	5,469	720
Indirect taxes	3,031	2,457
Sundry costs	4,085	6,228
Total	**14,906**	**17,274**

The decrease in "writedowns of receivables and other assets" relates to the fact that in the previous year Arconvert Brasil Ltda had to increase the provision for doubtful debts due to issues encountered with receivables collection caused by the recession affecting various South American countries. The decrease of the past year reflects the favorable developments of disputes with customers.

Contingent losses and unrealized income include 4,726 thousand euros regarding the portion of white (i.e. renewable energy performance) certificates required by the relevant authorities to be refunded; after careful analysis, the project for which the certificates had been reported and assigned by such authorities, and then sold by the Group in the respective market, was no longer considered feasible by the authorities.

30. Depreciation, amortization and impairment losses

This item is detailed below:

	Year ended December 31,	
	2015	2014
	(in thousands of euros)	
Depreciation of property, plant and equipment	33,051	29,903
Amortization of intangible assets	3,715	1,432
Depreciation of investment property	48	48
Impairment of fixed assets	—	344
Total	**36,814**	**31,727**

The increase in amortization and depreciation is due mainly to the acquisitions, as described in the notes on non-current assets; depreciation of 654 thousand euros refers to Fedrigoni Brasil Papeis Ltda and of 221 thousand euros refers to GPA Holding Company Inc.

31. Net financial income/(costs)

This item is detailed below:

	Year ended December 31,	
	2015	2014
	(in thousands of euros)	
Bank interest income	164	310
Foreign exchange gains	15,463	6,118
Fair value measurement of derivatives	792	981
Other financial income	520	68
Total financial income	**16,939**	**7,477**
Bank interest expense	(2,115)	(3,779)
Interest expense on leases	(321)	(378)
Foreign exchange losses	(15,178)	(6,115)
Fair value measurement of derivatives	(16)	(102)
Interest costs on employee benefits	(341)	(608)
Other finance costs	(1,447)	(930)
Total finance costs	**(19,418)**	**(11,912)**
Total	**(2,479)**	**(4,435)**

Although the average debt was higher than in the previous year, better financial market conditions contributed to a reduction of the Group's interest expense.

32. Income taxes

This item is detailed below:

	Year ended December 31,	
	2015	2014
	(in thousands of euros)	
Current taxes	26,779	32,880
Deferred taxes	(1,758)	(4,429)
Total	**25,021**	**28,451**

The table below presents the reconciliation of the theoretical tax rate (the 27.5% IRES rate currently in force in Italy) and the effective tax rate:

	Year ended December 31,	
	2015	2014
	(in thousands of euros)	
Profit before tax	82,798	81,985
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes	**22,770**	**22,546**
Profits not subject to taxes	(1,632)	(4,822)
Non-deductible taxes	404	1,156
Costs not deductible for tax purposes	808	12,121
Other decreases	(1,427)	(5,668)
IRAP allocated by Italian companies	2,467	5,931
Tax effects of foreign subsidiaries and other differences	1,631	(2,813)
Effective income taxes	**25,021**	**28,451**
Effective tax rate	**30%**	**35%**

33. Earnings per share

Earnings per share was calculated by dividing: i) the profit or loss attributable to ordinary equity holders by ii) the number of ordinary shares, as they result pursuant to the shareholders' resolution.

There are no anti-dilutive shares, so the diluted earnings per share is the same as the basic earnings per share.

34. Contingent liabilities

Various legal and tax proceedings originating over time in the normal course of the Group's business operations are pending. According to the Company's management, none of these proceedings can result in significant liabilities for which provisions do not already exist in the consolidated financial statements.

35. Commitments

(a) Commitments to purchase property, plant and equipment

The contractual commitments undertaken with third parties as of December 31, 2015 regarding investments in property, plant and machinery not yet recognized in the financial statements amount to 7,687 thousand euros.

(b) Operating lease commitments

The operating leases in effect as of December 31, 2015 will require payments of: *i)* 7,812 thousand euros in 2016, *ii)* 9,635 thousand euros from 2017 to 2021, iii) 2,204 thousand euros after 2021.

(c) Sureties and guarantees

With respect to a loan granted by Unicredit Banca d'Impresa S.p.A. to associate Consorzio Industriale Canale Camuzzoni S.c.a.r.l., the Company has undertaken – by issuing a letter of comfort to the bank – to provide its associate with the funding necessary to repay the loan. The Group's commitment was 1,146 thousand euros as of December 31, 2015.

36. Related-party transactions

The following tables set forth the transactions and balances of the Group with related parties for the years ended December 31, 2015 and 2014.

Statement of Financial Position balances

	As of December 31, 2015				
	Assets			Liabilities	
	Financial receivables	Trade receivables	Tax credits	Current tax liabilities	Trade payables
	(in thousands of euros)				
San Colombano S.p.A.	5,585	10	6,554	1,178	112
Nerea S.p.A.	—	—	—	—	—
Studio Canestrari e Crescentini	—	—	—	—	73
Studio Biscozzi Nobili	—	—	—	—	75
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l.	—	—	—	—	—
Total	**5,585**	**10**	**6,554**	**1,178**	**259**
As a % of F/S item	100.0%	0.0%	97.0%	118%	0.0%

36. Related-party transactions (Continued)

	As of December 31, 2014				
	Assets			Liabilities	
	Financial receivables	Trade receivables	Tax credits	Current tax liabilities	Trade payables
	(in thousands of euros)				
San Colombano S.p.A.	3,441	1,500	3,650	10,725	113
Nerea S.p.A.	—	—	—	—	—
Studio Canestrari e Crescentini	—	—	—	—	44
Studio Biscozzi Nobili	—	—	—	—	—
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l.	548	—	—	—	—
Total	**3,989**	**1,500**	**3,650**	**10,725**	**157**
As a % of F/S item	100.0%	0.6%	77.5%	80.8%	0.1%

Income Statement balances

	As of December 31, 2015				
	Income			Expenses	
	Sales revenues	Other revenues	Interest income	Cost of services	Interest expense
	(in thousands of euros)				
San Colombano S.p.A.	—	—	39	148	—
Nerea S.p.A.	—	—	—	355	—
Studio Canestrari e Crescentini	—	—	—	125	—
Studio Biscozzi Nobili	—	—	—	75	—
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l.	—	—	—	—	—
Total	—	—	**39**	**702**	—
As a % of F/S item	0.0%	0.0%	0.2%	0.4%	0.0%

	As of December 31, 2014				
	Income			Expenses	
	Sales revenues	Other revenues	Interest income	Cost of services	Interest expense
	(in thousands of euros)				
San Colombano S.p.A.	—	—	49	150	—
Gafor	—	—	—	—	—
Nerea S.p.A.	—	—	—	354	—
Studio Canestrari e Crescentini	—	—	—	49	—
Studio Biscozzi Nobili	—	—	—	133	—
Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l.	—	—	—	—	—
Total	—	—	**49**	**686**	—
As a % of F/S item	0.0%	0.0%	0.7%	0.4%	0.0%

Description of the Group's related parties

San Colombano S.p.A. (formerly Cartiere Fedrigoni & C. S.p.A.)

Pursuant to the Italian Income Tax Code ("TUIR") (Presidential Decree or "DPR" no. 917/86, Article 117 *et seq.*) and the Italian Ministerial Decree of June 9, 2004, Article 11, paragraph 4 containing "provisions applicable to the Italian tax consolidation regime, as per Articles 117 to 128 of the Italian Income Tax Code", the Group's Italian companies adopted the "Italian Tax Consolidation" regime. The relevant agreement, which regulates all reciprocal obligations and responsibilities between San Colombano S.p.A. and the Group's companies, is in effect for tax years 2013, 2014 and 2015.

36. Related-party transactions (Continued)

The tax credits and tax liabilities presented in the tables above derive from the Group tax filing system in accordance with the aforementioned tax legislation.

Under the current regulations, the conditions for participation in tax consolidation no longer apply in the event of loss of control by the parent company.

The financial receivables refer to a cash pool account with the Group companies.

Nerea S.p.A.

Nerea S.p.A. is a real estate agency considered a related party because it is controlled by the same entities that indirectly control the Company.

The Group has a lease in effect with Nerea S.p.A. for the building in Verona in which the Company's headquarters are located. The lease was stipulated on December 31, 2004, with a start date of January 1, 2005 and end date of December 31, 2011, tacitly renewable unless terminated in writing. The annual lease payment agreed on the lease stipulation date was 280 thousand euros and has been adjusted for inflation annually on the basis of ISTAT statistics.

Studio Canestrari e Crescentini

Tax consulting firm "Canestrari & Crescentini" is 50%-owned by Silvana Canestrari, and is a related party because she is a non-executive, independent director of the Company.

The amounts included in the cost of services refer principally to Ms. Canestrari's remuneration as a member of the Company's Board of Directors.

In 2015 Studio Canestrari & Crescentini provided consulting services to the Fedrigoni Group for a total amount of 82 thousand euros.

The consulting services provided by the firm to the Fedrigoni Group in 2015 were performed by Leonardo Crescentini and a one of his colleagues.

Studio Biscozzi Nobili

Pursuant to the appointment of Luigi Emilio Garavaglia as a non-executive, independent director of the Parent company at the shareholders' meeting of May 11, 2011, the tax consulting firm "Biscozzi Nobili" became a related party of the Company.

The amounts stated include Mr. Garavaglia's remuneration as a director and fees for the tax consulting services performed by the firm.

Consorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l.

Corsorzio Canale Industriale G. Camuzzoni di Verona S.c.a.r.l. is a 25%-owned company and therefore is an associate.

The consortium operates in the power generation industry and the amounts stated for 2014 referred to an interest-free loan that was repaid in 2015.

Key management personnel compensation

The following are considered key management positions of the Group: *i)* C.E.O.; *ii)* Chairman of the Board of Directors; *iii)* General Managers of the Company and of subsidiaries Arconvert S.p.A and Arconvert SA; *iv)* Sales Directors responsible for graphic paper and paper for office/drawing use; *v)* Head of Security Segment; *vi)* C.F.O.

The gross compensation paid to key management personnel in 2015 was 3,967 thousand euros.

37. Subsequent events

In January 2016 the merger through which Arconvert Brasil Ltda absorbed Fedrigoni Brasil Papeis Ltda was completed.

ANNEX 1—List of subsidiaries and associates

Name	Headquarters	Ownership As of December 31, 2015
Directly controlled subsidiaries		
Arconvert S.p.A.	Arco (Trento)	100.00%
Arconvert SA	Sarrià del Ter Gerona—Spain	100.00%
Fedrigoni Deutschland Gmbh	Oberhaching—Munich—Germany	100.00%
Fedrigoni Espana SL	Madrid—Spain	100.00%
Fedrigoni France Sarl	Paris—France	100.00%
Fedrigoni UK Ltd	Northampton—United Kingdom	100.00%
Cartamano Deutschland Gmbh	Munich—Germany	100.00%
Miliani Immobiliare Srl	Fabriano (Ancona)	100.00%
Arconvert Brasil Ltda	Sao Paolo—Brazil	100.00%
Fedrigoni Austria Gmbh	Vienna—Austria	100.00%
Fedrigoni Benelux BV	Brussels—Belgium	100.00%
Fedrigoni Asia Ltd	Hong Kong—China	100.00%
GPA Holding Company Inc	McCook—Illinois, U.S.A.	100.00%
Indirectly controlled subsidiaries		
Fedrigoni Trading (Shanghai) Company Limited	Shanghai—China	100.00%
Fedrigoni Brasil Papeis Ltda	Salto (Sao Paolo)—Brazil	100.00%
Associates		
Consorzio Canale Industriale G. Camuzzoni S.c.a.r.l.	Verona	25.00%

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