



**TREETOP ZOBELE BIDCO Limited.**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**December 31, 2019**  
Company Registration no: 11308626

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## **1) STRATEGIC REPORT**

### **Review of the business**

Zobele is the leading global producer of Air Care and Insecticide devices by revenue. Zobele primarily sells its products to blue chip fast-moving consumer goods (“FMCG”) companies. Zobele also sells its products to important regional FMCG companies and leading retailers. Zobele operates as a “one-stop-shop,” offering customers global solutions and services covering the entire value chain from product innovation and development to manufacturing and delivery. Zobele leverages a common technology platform relating to dispensing devices, such as electric plug-ins and powered aerosol devices, across our product categories. Historically, Zobele has grown its business through a wide range of products, long-standing customer relationships, strong product innovation and development capabilities and our global industrial footprint. Zobele has manufacturing plants in Mexico, China, Italy, Bulgaria, Brazil, India and the USA.

The Group’s products are manufactured across plants and countries where the Group is present and are produced for Global and Regional FMCG’s and for Retailers. The Group’s product categories comprise the following:

- Air Care products, principally consisting of electric plug-in devices, gel and liquid air fresheners, powered aerosol air freshener devices and car air freshener devices.
- Insecticide products, principally consisting of electric plug-in devices, portable insecticide devices, traps, coils and repellents.
- Home, Health and Personal Care products, principally consisting of various personal care devices, skin care products, decongestants, fragrance boosters, and sanitizing products.

### **Principal risks and uncertainties facing the business**

The main business risks and uncertainties facing the Group may be summarized as follows:

Zobele generates a significant part of its revenues from Global FMCGs. Whilst these companies invest significantly in the Group’s product categories and are committed to the business areas in which Zobele operates, the Group has little control over their potential sales strategy and market development. This could lead to fluctuations in sales during the course of a year as they promote products in different markets.

The Insecticide business is seasonal with a concentration of sales in the summer months. Zobele could be impacted by a poor summer that would result in lower sales of these products.

Refer to Note 5.2 for disclosure on other Group financial risks.

### **Business Model**

Customers, particularly FMCG companies, seek partners across the value chain as they seek to outsource manufacturing and innovation activities of complex Air Care and Insecticide devices in order to focus on their core brand management expertise.

Zobele has a “one-stop-shop” business model which provides customers with end-to-end integrated services throughout the entire process from innovation to distribution, reducing complexity across the value chain; this is particularly important for global FMCG companies.

The “one-stop-shop” model serves as a key differentiator versus other competitors, who are typically focused on two or three elements of the value chain.

Zobele works in partnership with FMCG companies, who in turn value the company as a strategic supplier. This is evidenced by Zobele’s joint business relationships with key customers. These relationships are characterized by a push/pull dynamic where Zobele either proactively innovates new products for possible inclusion in the client’s portfolio or is approached by the customer to jointly develop and innovate a new product.

In line with this strategy, the Group opened a new plant in Dallas, USA that became operational during 2018. The plant produces Laundry Care products for the North American market.

## Strategy

Zobeles's customer strategy is centred on four strategic pillars:

- **Protect and grow the core business:** Zobeles's first priority is to protect its position in Air Care and Insecticides by filling gaps in key account coverage and driving innovation with core customers to develop the next generation of devices.
- **Capture growth in emerging markets:** Zobeles has invested to support key global FMCG expansion into emerging markets by establishing business development activities in Brazil, Singapore and India to cover the South American region, Far East Asia and the Indian sub-continent respectively.
- **Broaden customer base:** Zobeles plans to continue to reduce its customer concentration by serving new global FMCG accounts and selling directly to retailers (e.g. through private label offering).
- **Expand into adjacent categories:** Zobeles will continue to leverage its expertise in devices to continue its expansion into Home, Health and Personal Care and other adjacent categories, in line with the strategic focus of its FMCG customers.

## Financial review 2019

Highlights from the Group's financial performance for the year 2019 in comparison with the previous full year were as follows:

<i>In million of Euro</i>	2019	2018 <sup>(1)</sup>	Δ % 2019/2018
Net Sales	415.5	343.2	21.1%
Gross Profit	89.8	74.9	19.9%
%	21.6%	21.8%	
EBITDA before non-recurring items	62.3	52.0	19.8%
%	15.0%	15.2%	
Net income/(loss)	5.0	(16.6)	
Net Financial Position <sup>(2)</sup>	(167.4)	(186.7)	-10.3%
Cash Flow Generated	17.2	(0.3)	

(1) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

(2) For definition of "Net Financial Position" refer to Note 3.15.

## Net Sales

### Customers mix

Our customers consist of Global FMCGs, Regional FMCGs and Retailers. The products sold to single customers can be produced in different plants and in different countries depending on customers' needs.

Nearly all of our products are labelled with our customers' brands. A very small percentage of our sales are sold under our own brands: Vulcano, Spira, Bengal, Nexis and Sirio.

### Sales by category and geographical area

The following table sets forth our net sales by product category for 2019 and 2018:

<i>In millions of Euros</i>	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018 <sup>(1)</sup></b>	<b>% Change</b>
<b>Net Sales by Product Category</b>			
Air Care	279.7	232.3	20.4%
Insecticide	88.5	82.2	7.7%
Home, Health and Personal Care <sup>(2)</sup>	47.3	28.7	64.8%
<b>Total net sales</b>	<b>415.5</b>	<b>343.2</b>	<b>21.1%</b>

(1) The Group IFRS 15 and IFRS 9 1 January 2018 and early adopted IFRS 16 with initial application 1 January 2018.

(2) Predominantly represents sales of our Home, Health and Personal Care Products, although also contains sales of product components for all categories.

Net sales of Air Care Products for 2019 were €279.7 million, an increase of €47.4 million, or 20.4%, over 2018. This increase was largely driven by strong sales in North America and Asia Pacific coming from (i) the successful launch of new Air Care products for Global customers and (ii) higher volumes for a key existing product compared to last year.

Net sales of Insecticide products were €88.5 million, an increase of €6.3 million, or 7.7%, over 2018. Zobebe attributes this increase to higher volumes of sales in Europe and in North America. This increase has been partially offset by lower sales in South America.

Net sales of Home, Health and Personal Care Products for 2019 were €47.3 million, an increase of €18.6 million, or 64.8%, over 2018. This increase was largely driven by the launch of a new Fabric Care product in North America for one of our Global FMCG customers.

The following table sets forth net sales by geographic area for 2019 and 2018:

<i>In millions of Euros</i>	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018 <sup>(1)</sup></b>	<b>% Change</b>
<b>Net Sales by Geographic area</b>			
Europe	133.6	145.0	(7.9%)
North America	210.3	136.1	54.5%
South America	11.9	16.1	(26.1%)
Africa-Middle East	8.6	7.8	10.3%
Asia Pacific	51.1	38.2	33.8%
<b>Total net sales</b>	<b>415.5</b>	<b>343.2</b>	<b>21.1%</b>

(1) The Group has initially applied IFRS 15 at 1 January 2018.

Net Sales in Europe for 2019 were €133.6 million, a decrease of €11.4 million, or 7.9%, over 2018. Zobebe primarily attributes this decrease to lower volumes for Air Care and Fabric Care for our Global FMCG customers in the region and this is mainly driven by the transition to a new generation of products in these categories.

Net sales in North America were €210.3 million, an increase of €74.2 million, or 54.5%, over 2018. This increase comes from higher volumes in Air Care and Fabric Care products driven by successful product launches in these categories.

Net sales in South America for 2019 were €11.9 million, a decrease of €4.2 million, or 26.1%, compared to 2018. This decrease is largely driven by lower order levels for Insecticide products compared with last year.

Net sales in Africa and the Middle East were €8.6 million, an increase of €0.8 million, or 10.3%, compared to 2018. This increase is largely due to the higher overall demand for Insecticide products in the region.

Net Sales in Asia Pacific were €51.1 million, an increase of €12.9 million, or 33.8%, compared to 2018. This increase in sales was driven by the higher volumes of Air Care products in this area compared to last year.

### ***Gross Profit***

Gross Profit was €89.8 million in 2019 or 21.6% of sales, €14.9 million above the level of 2018 (€74.9 million or 21.8%). Gross Profit was in line with 2018 in percentage terms although the Group did see a change in overall product mix, with a significant increase in Home, Health and Personal Care.

### ***EBITDA before non-recurring transactions***

EBITDA before non-recurring transactions increased by €10.3 million during 2019, compared to 2018. This reflected the significant increase in volumes and a stable gross profit (as % of sales), partially offset by growth in overheads as the Group invested to support the higher volumes, particularly in the new plant in Dallas.

### ***Profit (loss) of the period pertaining to the owners of the company***

Net profit attributable to the owners of the company for the twelve months ended December 31, 2019 was a profit of €5.0 million, compared to a loss of €16.6 million for the year ended 31 December 2018.

This increase in net profit reflected the overall improvement in EBITDA before non-recurring transactions for the period described above, lower levels of Non-Recurring Costs and Finance Expenses compared to 2018.

### ***Net Financial Position and Operating Cashflow***

The Group's Net Financial Position improved by €19.3 million during 2019 compared to 2018 (€167.4 million in 2019 compared to €186.7 million in 2018).

**Treetop Zobebe Bidco Limited**  
**REPORTS**



<i>In thousands of Euros</i>		As of December 31, 2019	As of December 31, 2018 <sup>(1)</sup>
A.	Cash	18.2	23.5
B.	Cash equivalent	-	-
C.	Trading securities	-	-
<b>D.</b>	<b>Liquidity (A) + (B) + (C)</b>	<b>18.2</b>	<b>23.5</b>
E.	Current Financial Receivables	-	-
F.	Current Bank Debt	(8.1)	(7.0)
G.	Other Current Financial Liabilities	-	(18.1)
H.	Current Lease Liabilities	(3.3)	(3.4)
I.	Bank Overdrafts	(1.9)	(1.3)
<b>J.</b>	<b>Current financial debt (E) + (F) + (G) + (H) + (I)</b>	<b>(13.3)</b>	<b>(29.8)</b>
<b>K.</b>	<b>Net current financial indebtedness (D) + (E) + (J)</b>	<b>4.9</b>	<b>(6.3)</b>
L.	Non current bank loans and leasing agreement	(153.0)	(159.1)
M.	Non current Lease Liabilities	(19.3)	(21.2)
N.	Senior Secured Notes	-	-
O.	Other non current loans	-	-
<b>P.</b>	<b>Non current financial indebtedness (L) + (M) + (N) + (O)</b>	<b>(172.3)</b>	<b>(180.4)</b>
<b>Q.</b>	<b>Net financial position (K) + (P)</b>	<b>(167.4)</b>	<b>(186.7)</b>

(1) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

The Group funding structure is represented by an amortizing debt of €35 million ("Term Loan A") due in 2022 and a €145 million term loan due in 2023 ("Term Loan B") obtained from a syndicate of banks in February 2017. The balances are held in the Consolidated Financial Statements at amortised cost.

See Note 3.15 below for comments on the current Group funding structure.

The following table sets forth a summary of Group cash flows for the years ended December 31, 2019 and 2018:

<i>In million of Euro</i>	As of December 31, 2019	As of December 31, 2018 <sup>(1)</sup>	Δ 2019 vs 2018
Cash generated from operating activities	57.8	42.4	15.4
Change in Working Capital	0.1	3.7	(3.6)
Income Tax paid	(5.4)	(4.6)	(0.8)
<b>Net cash generated from operating activities</b>	<b>52.5</b>	<b>41.5</b>	<b>11.0</b>
Net Cash Used in Investing Activities	(35.3)	(41.8)	6.5
<b>Cash flow generated</b>	<b>17.2</b>	<b>(0.3)</b>	<b>17.5</b>
Net Cash Used in Financing Activities	(21.6)	(0.0)	(21.6)
Non Financial movement in Equity	(1.6)	(19.6)	18.0
<b>Tot net cash flow in/(out)</b>	<b>(6.0)</b>	<b>(19.9)</b>	<b>13.9</b>

(1) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

*Net Cash Generated from Operating Activities*

For the twelve months ended December 31, 2019, the Group's net cash generated from operating activities was €52.5 million, an increase of €11.0 million compared to an operating cash generation of €41.5 million in 2018.

This increase was mainly driven by an improved performance from operations of €15.4 million compared to 2018 partially offset by a higher cash absorption from working capital and tax paid.

Working capital cash generation was €0.1 million in 2019 compared to €3.7 million generated in 2018.

The cash used from movements in working capital was primarily related to an increase in Net Inventory of €10.0 million and cash consumed by an increase of Trade Receivables, reflecting higher sales volumes particularly in the second half of the year and the impact of new product launch, offset by an increase in Trade Payables of €9.2 million in line with the business trend in the second half of the year and cash generated by other working capital of €11.7 million due to contributions received from customers to support the setting up and maintenance of new product launches. Net cash generated from operating activities was further impacted by cash used to pay tax liabilities across the group of €5.4 million compared to €4.6 million in 2018. The higher amount of tax paid reflects a different mix in taxable profit among the Group's tax paying companies.

*Net Cash Used in Investing Activities*

For the twelve months ended December 31, 2019 net cash used in investing activities was a cash outflow of €35.3 million, compared to €41.8 million for 2018.

Capital expenditure in 2019 reflects the continued development and launch of new products and capacity expansion investments to support new launches in Mexico and China and the setup of the new factory in Texas, USA. They also include development costs capitalized in line with IAS 38 of €3.9 million.

*Net Cash Used in Financing Activities*

For the twelve months ended December 31, 2019, our net cash used in financing activities was a cash outflow of €21.6 million, compared to a zero-position reached for the twelve months ended December 31, 2018, a decrease of €21.6 million. The cash outflow for the year 2019 represents:

i) interest and other financial costs on the Group's banking facilities and factoring costs, (ii) repayment of €7.0 million of tranches of the Term Loan A due in the period and (iii) lease costs and lease liability repayments included as cash used in financing activities under IFRS 16 for €3.7 million in 2019 compared to €3.0 million in the previous year. From a cash perspective the payment of €18.1 million contingent consideration in September 2019 was entirely funded through an injection of equity (Share Premium Reserve) into the Group in the same amount.

See Note 3.15.2 for a reconciliation of cash flows arising from financial activities and net financial position as of December 31, 2019.

*Capital Expenditure*

For the twelve months ended December 31, 2019 and the twelve months ended December 31, 2018 the Group made capital expenditure in the amount of €36.2 million and €42.9 million, respectively.



<i>In millions of Euro</i>	As of December 31, 2019	As of December 31, 2018
New Products	25.9	30.6
Capacity expansion	1.8	3.3
Industrial improvements	2.5	3.0
Maintenance	2.1	2.3
<b>Total Excluding R&amp;D</b>	<b>32.3</b>	<b>39.3</b>
<b>Capitalised R&amp;D <sup>(1)</sup></b>	<b>3.9</b>	<b>3.7</b>
<b>Total Gross Capital Expenditure</b>	<b>36.2</b>	<b>43.0</b>

*(1) Development costs are expensed as incurred unless such costs meet the criteria to be recognized in accordance with IAS 38 Intangible Assets. Development costs incurred on a project are recognized as intangible assets when Zobeles has the intention to use or sell the product produced by the project, provided that there exists a market for the product, it is commercially and technologically feasible, its costs can be measured reliably, and there are adequate financial resources to complete the development of the product.*

Capital expenditure, excluding R&D capitalized costs, for the twelve months ended December 31, 2019 was €32.3 million, €7 million less than last year.

Capital expenditure in 2019 reflects the continued development and launch of new products and capacity expansion investments to support new launches of Air Care products mainly in China and Mexico.

The new US plant in Texas required additional investments to install new production lines and equipment necessary for increased capacity and new product launches.

The Group also capitalized development costs in line with IAS 38 of €3.9 million.

### **Product Innovation and Development**

During 2019 the Group continued its general strategy of working with a broader range of customers and developing new product categories.

The core businesses of Air Care and Insecticides remain key strategic pillars for the Group, and the team has worked to further increase market share over our competitors in these categories. In particular, the Group has worked to provide new solutions to expand our offer to the Leading Brands and the Regional Players in these categories.

New Projects using technologies developed during the past three years such as Low Energy, Efficient Heating Elements were brought to the industrialization phase with new strategic customers in the US Market.

High Performance Membrane applications have been further implemented with a leading Japanese Air Care company and will be launched in the market in 2020

The Zobeles Fabric Care Fragrance booster technology has been enriched with new technical executions and was further expanded in products both in the US and Europe

The Beauty and Personal Care product development category was enriched with a new important project development award with a Global Market leader.

Increased attention has been also dedicated to the Premium Air Care segment with specific packaging executions within the existing standard product portfolio.

During 2019 Innovation and Development have played an important role in the areas of Scout / Develop / Industrialize and propose Sustainable solutions for Global, Regional and Private Label Customers. A specific program, led by the Innovation Hub of Barcelona, has been initiated and supported throughout the Group to implement a sustainable New Product Development product Pipeline that will be executed during 2020.

“Scout and Grow” and “Join and Win” programs for scouting/selecting/qualifying/partnering potential third-party technology/product suppliers, remain an important tool to efficiently bring to market new product and technologies

The patents portfolio has been enhanced with 8 new IP’s registered during 2019 protecting the “knowhow” recently developed and supporting the long-term business sustainability of our product proposition.

### **Manufacturing**

The Group operates manufacturing plants in seven countries (Mexico, China, Italy, Bulgaria, Brazil, India, and USA), has design and development centers in five countries (Italy, Spain, Mexico, China and Bulgaria) and has innovation centers in Spain and Singapore. The table below details, in respect of each country where Zobeles has operations, the types of facilities Zobeles has at each property, the size of our properties and whether the property is owned or leased.

Country	Facilities	Land Area (m <sup>2</sup> )	Owned / Leased
Mexico	Design and Development Center (Hermosillo) Manufacturing Plant (Hermosillo)	88,866	Leased
China	Design and Development Center (Shenzhen) Manufacturing Plant (Shenzhen)	33,537	Leased
Italy	Headquarters (Trento) Design and Development Center (Trento) Manufacturing Plant & Warehouse (Trento)	36,926	Owned
Bulgaria	Design and Development Center (Rakovski) Manufacturing Plant (Rakovski)	11,743	Leased
Brazil	Manufacturing Plant (Porto Alegre)	15,583	Leased
India	Manufacturing Plant (Daman)	12,440	Leased
Spain	Innovation center (Barcelona) Design and Development Center (Barcelona)	Office only	Leased
Singapore	Innovation center	Office only	Leased
Texas (USA)	Manufacturing Plant (Dallas)	51,856	Leased

- Zobeles Mexico capitalized on the full-year growth impact of the multiple new product launches from the prior year and grew the plant revenue nearly 40% in 2019 vs 2018, including strong growth in outdoor Insecticide products. This growth was further driven by an extremely successful launch of a next generation Air Care product for a global FMCG which will require capacity expansion during 2020. Strong operational performance improvements and procurement activities, while controlling Indirect and Overhead costs, helped the plant improve EBITDA margins by 1% year over year. The plant leadership was successfully transitioned following the retirement of the previous General Manager.
- Zobeles China was negatively impacted by the trade tensions between China and the USA, leading to temporarily lower sales and the relocation of certain products to Zobeles India, utilizing Zobeles’ strong geographic footprint. Significant operational performance improvements, especially in

Injection Moulding and Procurement activities contributed to improved results during the second half of the year. During 2019, Zobebe began a project to relocate Zobebe China from five different buildings into one single complex. The nearby location enables retention of the complete staff and continued relationships with established suppliers and will enable ongoing improvements in operational efficiencies. This relocation is expected to be completed during 2020, utilizing a detailed transfer plan that will prevent disruptions in customer shipments.

- Zobebe Italy revenues showed modest growth, whilst operational performances improved versus 2018. Investments during the year in a new regrinding process to recover certain scrap materials will provide cost reduction and reduced waste disposal in 2020 and beyond. A new General Manager was recruited for the site, and together with selected staff changes, is expected to deliver significant performance improvements in 2020.
- Zobebe Bulgaria delivered strong revenue growth of nearly 25% during 2019 but the plant faced challenges with learning curve effects on newly launched products with higher levels of automation. The last available floorspace was utilized during the year, and external warehousing contributed to higher Indirect spend. Current and future space needs will be addressed with an overall site expansion during 2020.
- Zobebe do Brazil revenues declined nearly 15% versus the prior year due to negative market conditions in South America broadly, and Brazil in particular.
- Zobebe India delivered over 60% growth in the year and crossed the €12.1 million revenue mark for the first time. Volumes were driven by the relocation of certain products destined for the US market from Zobebe China to India. Zobebe Group demonstrated the advantage of its global manufacturing and supply base by relocating one major product line in less than four months from “first conversation to first commercial shipment” enabling both Zobebe and a major FMCG customer to continue to capitalize on revenues in the important US market.
- Zobebe USA utilized support from Corporate and the other plants, especially Mexico and Brazil, to launch and ramp up the new Laundry Care production lines to full capacity during 2019. The plant continues to improve the efficiencies of the fully automated production and packaging lines. During the year, the site was also awarded a second, all-new Laundry Care product for the North American market by a major FMCG customer. The timing and capital installations are on track for the targeted launch of this new product in the second quarter of 2020.

### **Sourcing**

For the twelve months ended December 31, 2019, the Group’s total material purchases were €253.2 million, further analysed in Note 4.2 and represented 61% of net sales for the year. Key materials purchased in 2019 were packaging, fragrances, chemicals and electronic components and these represented respectively 22.8%, 19.5%, 10.9% and 10.1%, of the Group’s total cost of materials purchased. Whilst these are the most significant materials used in the Group’s business, production operations also use other materials, including plastics, glass and metals (principally copper). The Group does not produce any chemicals internally – all chemicals, including fragrances are purchased externally for use in the manufacture of the group’s products.

### **Intellectual Property**

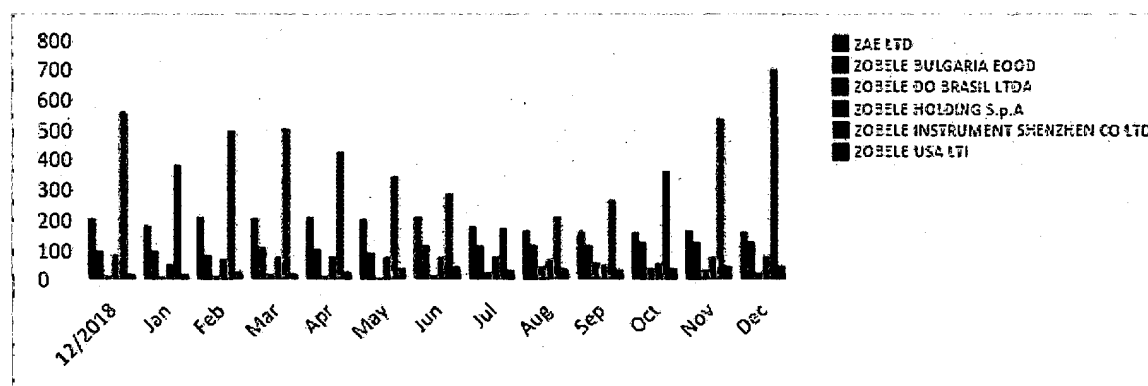
At the end of 2019 the Group owned 131 operational “patent families”, comprising the following: (i) patent families relating to methods for handling certain volatile substances (mostly fragrances and insecticides); (ii) patent families relating to Air Care Products; (iii) patent families relating to Insecticide Products; and (iv) patent families relating to Home Care Products. Zobebe considers new patent development to be central to the success of our business. In addition, Zobebe currently owns more than 200 active “design patent” families.

### **Human Resources**

#### **Workforce evolution**

During 2019 the Group had an average of 5,194 employees worldwide, 1,257 of whom were employed as temporary workers. During 2018 the Group had an average of 4,989 employees worldwide, 1,208 of whom were employed as temporary workers.

Temporary workers were mainly present in low cost countries (China and India, in particular):



The average number of employees (including temporary) has shown an increase of around 4.1% compared to 2018.

The following table shows, for the last two financial years, the average headcount by each country in which the Group operates:

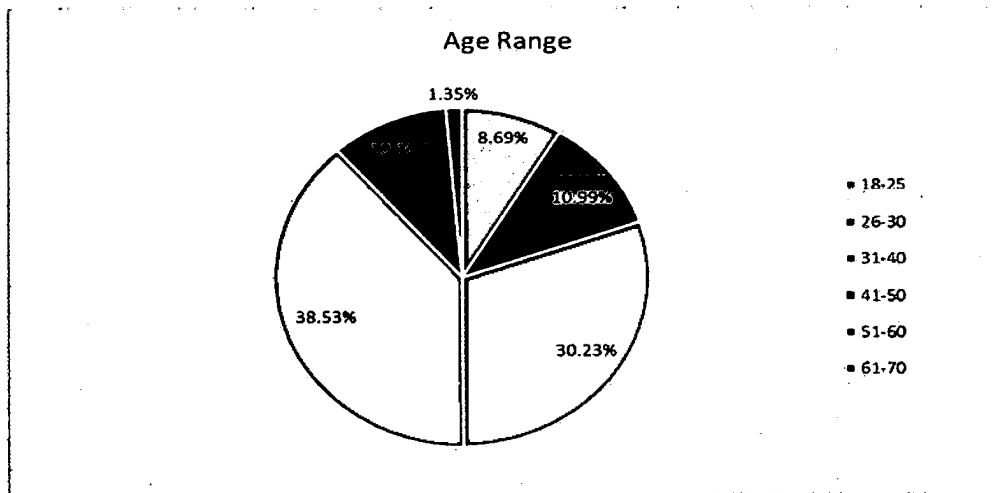
Country	Year ended December 31, 2019	Year ended December 31, 2018
<b>Employees average summary</b>		
Italy	278	274
Spain	27	28
Mexico	1,557	1,344
Brazil	52	49
China	1,464	1,674
India	110	96
Bulgaria	387	302
USA	64	15
<b>Total</b>	<b>3,937</b>	<b>3,782</b>

*Temporary workers are not included*

### Gender of directors and employees

Overall, the Group has a majority of female employees and the highest concentration of women is among direct workers. During 2019 on average, women represented 58.2% of blue-collar employees.

The gender gap, measured as the Ratio between the number of females in senior positions (manager, senior manager, director) and the total headcount in the same categories shows differences country by country with positive peaks of female managers in Brazil (50%) and Bulgaria (53.4%) with a Group average of 24% which shows an area for improvement in the coming years.



Almost 50% of the employee population is aged 40 or less.

### **Talent acquisition strategy**

Over recent years the Group has put in place many branding initiatives aimed at improving its visibility and capability to attract talent in a challenging work marketplace.

Nowadays the need to attract talent is more and more crucial with a labour market shrinking and a scarcity of talent, visibility and attractiveness is very important. To this extent the company, in addition to participating in job fairs and events at Universities, continue to sustain its presence on social media used in the labour market (LinkedIn, Facebook, Indeed). In 2019 recruitment closed using LinkedIn almost doubled compared to 2018 and, at the same time, followers increased to more than 22,000, enhancing Zobeles's visibility as an employer.

The Group's fast track program remains an important tool to onboard talented young graduates from universities to enrich the company culture and internal talent pipeline.

### **Zobeles Group commitment: social matters**

Zobeles Group is strongly committed in all areas relating to its employees and local communities.

The main principles governing how to behave in these areas are outlined in the Code of Ethics and in the Group's Social responsibility policy.

Monitoring the Code of Ethics and the Social Responsibility policy is performed by a dedicated internal body and in addition customers carry out independent audits to verify the Group's consistency on all social responsibility issues.

To ensure that the business is conducted in a way that is free from bribery and corruption, the Group's Code of Ethics contains a specific section (3.7) describing Zobeles's policy in relation to Anti Bribery and Corruption.

During 2019 Zobeles has reviewed and enhanced its Anti-Bribery policy and issued a new document outlining the guidelines for a specific Anti-Bribery Management System. The objective was to obtain ISO 37001 certification initially at the level of the Italian company Zobeles Holding S.p.A., and successively in all subsidiaries. In this context, a specific training program was implemented involving all Zobeles Holding S.p.A. Employees. The ISO 37001 certification for Zobeles Holding S.p.A. was successfully obtained on 14/11/2019.

## **Environmental matters**

Continuously boosting our comprehensive Social Responsibility program, launched several years ago and aimed to develop long term sustainability and potential to grow, the Group is constantly committed to improve the environment and the wellbeing of its employees and of the local communities where our facilities are located.

In particular, in the area of environmental protection, the Group has chosen ISO14001 as the reference standard to develop our environmental management systems according to one of the most effective and globally recognized schemes. So far, all of our plants have achieved ISO14001 certification – with just the exception of Zobeles do Brasil and the brand new Zobeles US facilities. Both are working to achieve certification in the near future. The robustness of the implemented environmental management system is confirmed by the fact that during 2019 no material prosecution was issued against the Group in any location.

With constant KPI tracking, plants are progressing on their improvement path as far as the major environmental impacts are concerned, with special focus on reduction in waste generation, energy and resources consumption and carbon emissions. The local HSE teams and the central Regulatory department are constantly mapping the evolution of the legislation, guaranteeing a prompt implementation of any new applicable regulation.

## **Subsequent Events**

### *Group sale*

On February 8, 2020, Knowlton Development Corporation ("KDC/ONE"), a global leader in custom formulation and manufacturing solutions for beauty, personal care and household brands, entered into a share purchase agreement to acquire 100% of the investment held by Treetop Zobeles Bidco Limited in the Zobeles Group. The sale transaction is expected to be completed within the first half of 2020.

Established in 2002, KDC/ONE has become one of the world's leading custom formulators and manufacturers, offering high-touch innovation, operational excellence and speed to market for well-known and emerging brands. Backed by Cornell Capital, which acquired KDC/ONE in December 2018 with Caisse de dépôt et placement du Québec (CDPQ), Investissement Québec and HarbourVest Partners, KDC/ONE has expanded its technology base and expertise.

With a shared commitment to operational excellence, innovation and client service, KDC/ONE and Zobeles are dedicated partners to their customers, and the combination is expected to immediately enhance customer offerings. Following the close of the transaction, Zobeles CEO Roberto Schianchi and the current management team will continue to run the Zobeles business under the KDC/ONE umbrella, and Zobeles's headquarters will remain in Italy.

### *Covid -19 impact on Group operations*

Zobeles is closely monitoring developments in the spread of COVID-19 and is taking all necessary pandemic prevention, control and containment measures at all of its locations globally. The Group is applying all preventative measures that are required by law, together with additional measures where Zobeles can further enhance the safety of our employees and their families. Within the Group, the effects of COVID-19 were felt in China during the month of February and the first half of March, whilst in Italy and the rest of Europe the spread of the virus started to impact countries from the second half of February.

The impact of COVID-19 on the Group's production activities has been limited to China and India. The production facility in India was subject to a 10 day closure in line with restrictions imposed by the local authorities, subsequently partially reopened. In China, the plant shut down following Chinese New Year was extended by 10 days however has subsequently experienced a gradual return to full production as

workers returned to Shenzhen. The Group's remaining plants in Europe, Mexico and the US have continued to operate without significant impact, though appropriate health and safety measures have been put in place at all plants.

The Group's global presence and the type of products and market segments in which it operates have so far largely been able to shield it from the most significant effects of COVID-19. Given the rapid evolution of the impacts of the virus, it is difficult to make quantitative forecasts about the impacts of COVID-19 on the Group's financial results. However, current forecasts show that it is expected to impact the first half of 2020 and then show a gradual recovery in the second half of 2020. The Group continues to monitor very carefully the evolution of events, with close contact with all plants, markets and customers.

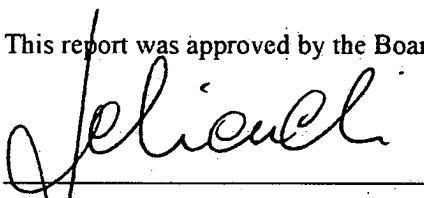
*Other post-closing events:*

There are no further significant events after the reporting period that will impact the financial statements.

**Section 172 statement**

The directors of the company note their duties under section 172 of the Companies Act 2006 and believe that the decisions made during the year adhere to these duties and contribute to the long-term success of the Group.

This report was approved by the Board and signed on its behalf by:



Roberto Schianchi

Le Bourg-Dun (France), April 27, 2020

## **2) DIRECTORS' REPORT**

The Directors present their report and the audited Consolidated and Company financial statements for the year ended December 31, 2019.

### **General Information and principal activity**

Treetop Zobeles Bidco Limited. (the "Company" and, together with its subsidiaries, the "Group" or "Zobeles") is a United Kingdom holding company incorporated on April 13, 2018 and the Company financial statements represent the results for the year ended December 31, 2019.

The registered office of the Company is 36 Broadway, London, SW1H 0BH, United Kingdom.

The principal activity of the Company is to act as a holding company and finance entity of Zobeles Group.

The Company controls 100% of Zobeles Holding S.p.A., an Italian incorporated industrial holding company and Z Gamma B.V. a holding company incorporated in The Netherlands.

### **Future Developments**

Full details of future developments of the Group's activities are contained in the Strategic Report.

### **Results and Dividends**

The Directors do not recommend the payment of a final dividend. No dividends were proposed or paid by the Group for the year ended 31 December 2019.

### **Research and Development**

Details on Product Development and Innovation are contained in the Strategic Report.

### **Post Balance Sheet Events**

Details of post balance sheet events can be found in note 7.3.

### **Directors**

The Directors who served during the period and up to the date of signing the financial statements, unless otherwise stated, were:

- M Appleton (appointed 13 December 2018)
- R P Hanson (appointed 3 August 2018)
- J J Leahy (appointed 13 April 2018, resigned on 28 February 2020)
- R Schianchi (appointed 14 September 2018)
- G D Stening (appointed 13 April 2018)
- E Zobeles (appointed 14 September 2018)
- A Baroni (appointed 13 April 2018, resigned on 20 March 2019)

### **Employee information and engagement**

Information on the Group's workforce, including relevant information on engagement, is included in the relevant paragraph of the Strategic Report.

### **Financial risk management**

Refer to Note 5.2 for disclosure on other Group financial risks.



**Auditors and disclosure of information to auditors**

At December 31, 2019, as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and, all directors have taken all steps that he/she ought to have taken in order to make him/her aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the Board and signed on its behalf by:



Roberto Schianchi

Le Bourg-Dun (France), April 27, 2020

### **3) STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

## ***Independent auditors' report to the members of Treetop Zobebe Bidco Limited***

### **Report on the audit of the financial statements**

#### ***Opinion***

In our opinion:

- Treetop Zobebe Bidco Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's profit, the Company's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Group and Company statements of financial position as at 31 December 2019; the Group and Company income statements and statements of comprehensive income, the Group statement of cash flows, and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### ***Conclusions relating to going concern***

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

### ***Reporting on other information***

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### ***Responsibilities for the financial statements and the audit***

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company'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 the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### ***Companies Act 2006 exception reporting***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Nigel Comello (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
27 April 2020

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2019**

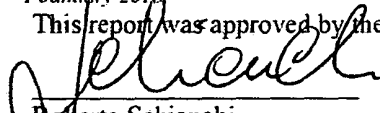
**Treetop Zobebe Bidco Limited**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2019**



<i>In thousands of Euros</i>	Notes	As of December 31, 2019	As of <sup>(1)</sup> December 31, 2018 Restated
<b>ASSETS</b>			
Net Tangible assets	3.1	128,785	119,309
Net ROU Asset	3.2	17,665	19,997
Net Intangible assets	3.3	9,073	8,491
Goodwill	3.4	202,090	202,090
Other investments	3.5	1	1
Deferred Tax Assets	3.6	14,325	11,186
Other Non Current Assets	3.7	1,114	1,235
<b>TOTAL NON CURRENT ASSETS</b>		<b>373,053</b>	<b>362,309</b>
Net Inventories	3.8	49,111	39,242
Commercial External Receivables	3.9	55,518	46,447
Income Tax Receivable	3.10	6,365	5,272
Other Receivables	3.11	13,692	17,581
Cash and Cash Equivalents	3.12, 3.15	18,216	23,516
<b>TOTAL CURRENT ASSETS</b>		<b>142,902</b>	<b>132,058</b>
<b>TOTAL ASSETS</b>		<b>515,955</b>	<b>494,367</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital		249,282	249,282
Share Premium Reserve		18,132	-
Reserves		(4,078)	(3,817)
Retained Earnings		(93,074)	(76,454)
Currency Translation Reserve		5,176	4,066
Profit (loss) of the period		5,043	(16,620)
<b>TOTAL EQUITY attributable to the OWNERS of the company</b>	<b>3.13</b>	<b>180,481</b>	<b>156,457</b>
Non controlling - interest Capital and Reserves		-	-
Non controlling - interests profit (loss) of the period		-	-
<b>TOTAL EQUITY OF NON CONTROLLING INTERESTS</b>	<b>3.14</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>180,481</b>	<b>156,457</b>
Other Non Current Financial Liabilities	3.15	153,003	159,125
Non Current Lease Liabilities	3.2, 3.15	19,351	21,238
Deferred Tax Liabilities	3.6	13,546	14,077
Employee Termination Benefits	3.17	2,730	2,502
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>188,630</b>	<b>196,942</b>
Commercial Payables	3.18	94,290	85,046
Income Tax Payables	3.10	5,924	3,260
Other Payables	3.19	33,358	22,814
Current Lease Liabilities	3.2, 3.15	3,281	3,404
Other Current Financial Liabilities	3.15	8,126	25,156
Bank Overdrafts	3.12, 3.15	1,865	1,288
<b>TOTAL CURRENT LIABILITIES</b>		<b>146,844</b>	<b>140,968</b>
<b>TOTAL LIABILITIES</b>		<b>335,474</b>	<b>337,910</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>515,955</b>	<b>494,367</b>

(1) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

This report was approved by the Board and signed on its behalf by:

  
**Roberto Schianchi**

Le Bourg-Dun (France), April 27, 2020

**Treetop Zobebe Bidco Limited**  
**CONSOLIDATED INCOME STATEMENT**  
**December 31, 2019**



<i>In thousands of Euros</i>	<i>Notes</i>	<i>Year ended</i>	<i>Year ended <sup>(1)</sup></i>
		<i>December 31, 2019</i>	<i>December 31, 2018</i>
<b>NET SALES</b>	4.1	<b>415,477</b>	<b>343,215</b>
Cost of sales	4.2	325,710	268,295
<b>GROSS PROFIT</b>		<b>89,767</b>	<b>74,920</b>
Gross Profit %		21.6%	21.8%
Overhead	4.3	29,807	25,893
Other Expense/(Income)	4.4	(2,329)	(3,022)
<b>EBITDA BEFORE NON-RECURRING TRANSACTIONS</b>		<b>62,289</b>	<b>52,050</b>
Ebitda before non recurring transactions %		15.0%	15.2%
Depreciation, amortization and write-downs	3.1, 3.3	26,325	21,594
Depreciation of ROU Assets	3.2	4,034	3,447
<b>EARNINGS BEFORE INTEREST &amp; TAXES &amp; NON RECURRING TRANSACTIONS</b>		<b>31,930</b>	<b>27,008</b>
Ebit before non recurring transactions %		7.7%	7.9%
Cost (Income) from Non-recurring transactions	4.5	6,709	8,761
<b>EARNINGS BEFORE INTEREST &amp; TAXES</b>		<b>25,221</b>	<b>18,247</b>
Financial (Income)/Expense	4.6	14,112	30,078
<b>PROFIT/(LOSS) BEFORE TAXES</b>		<b>11,109</b>	<b>(11,830)</b>
Income Tax	3.6, 4.7	6,066	4,790
<b>PROFIT/(LOSS) for the PERIOD</b>		<b>5,043</b>	<b>(16,620)</b>
Profit (loss) for the period %		1.2%	-4.8%
<b>Attributable to:</b>			
Owners of the Company		5,043	(16,620)
Non - controlling interests		-	-

(1) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.



**Treetop Zobebe Bidco Limited**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**December 31, 2019**



<i>In thousands of Euros</i>	Notes	Year ended December 31, 2019	Year ended December 31, 2018
<b>PROFIT/(LOSS) for the PERIOD</b>		<b>5,043</b>	<b>(16,620)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of foreign operations		1,110	2,247
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>1,110</b>	<b>2,247</b>
Actuarial gains/(losses) on defined benefit plans		(261)	(20)
Income tax effect		(261)	(20)
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<b>(261)</b>	<b>(20)</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>849</b>	<b>2,227</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>5,892</b>	<b>(14,393)</b>

(1) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

**Treetop Zobebe Bidco Limited**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**December 31, 2019**



<i>In thousand of Euros</i>	Notes	Share Capital	Share Premium Reserve	Other Reserves	Legal Reserve	Retained Earnings	Foreign Currency Transl. Reserve	Profit/(Loss) for the Period	Total Equity pertaining to the owners	Non-controlling interests	Total Equity
Balance as of December 31, 2017 as reported		35,535	-	(3,797)	-	(111,899)	1,211	(5,824)	(84,774)	12,510	(72,264)
Change in accounting policy - IFRS 16 lease (net of tax)	2.3	-	-	-	-	(3,014)	159	-	(2,855)	-	(2,855)
Change in accounting policy - IFRS 15 Revenues from contracts with customers	2.3	-	-	-	-	(1,617)	67	-	(1,550)	-	(1,550)
Restated Balance at 1 January 2018		35,535	-	(3,797)	-	(116,530)	1,437	(5,824)	(89,179)	12,510	(76,669)
(Loss) / Profit of the period		-	-	-	-	-	-	(16,620)	(16,620)	-	(16,620)
Destination (Loss) / Profit 2017		-	-	-	-	(5,824)	-	5,824	-	-	-
Employer benefits differences		-	-	(20)	-	-	-	-	(20)	-	(20)
Currency translation differences		-	-	-	-	-	2,247	-	2,247	-	2,247
Cash flow hedge reserve differences		-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>		-	-	(20)	-	(5,824)	2,247	(10,796)	(14,393)	-	(14,393)
Dividend distribution		-	-	-	-	-	-	-	-	-	-
Equity increase / (decrease)	2.2	213,747	-	-	-	75,177	382	-	289,306	(7,444)	281,862
Change in consolidation area	3.14	-	-	-	-	(29,278)	-	-	(29,278)	(5,066)	(34,344)
<b>Total contribution by and distribution to owners of the Company recognised directly in Equity</b>		213,747	-	-	-	45,899	382	-	260,028	(12,510)	247,518
Ending Balance as of December 31, 2018		249,282	-	(3,817)	-	(76,454)	4,066	(16,620)	156,457	-	156,457
(Loss) / Profit of the period		-	-	-	-	-	-	5,043	5,043	-	5,043
Destination (Loss) / Profit 2018		-	-	-	-	(16,620)	-	16,620	-	-	-
Employer benefits differences		-	-	(261)	-	-	-	-	(261)	-	(261)
Currency translation differences		-	-	-	-	-	1,110	-	1,110	-	1,110
Cash flow hedge reserve differences		-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>		-	-	(261)	-	(16,620)	1,110	21,663	5,892	-	5,892
Dividend distribution		-	-	-	-	-	-	-	-	-	-
Equity increase / (decrease)	2.2	-	18,132	-	-	-	-	-	18,132	-	18,132
Change in consolidation area	3.14	-	-	-	-	-	-	-	-	-	-
<b>Total contribution by and distribution to owners of the Company recognised directly in Equity</b>		-	18,132	-	-	-	-	-	18,132	-	18,132
Ending Balance as of December 31, 2019		249,282	18,132	(4,078)	-	(93,074)	5,176	5,043	180,481	-	180,481

**Treetop Zobebe Bidco Limited**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**December 31, 2019**



<i>In thousands of Euros</i>	Year Ended December 31, 2019	Year ended <sup>(1)</sup> December 31, 2018 Restated
<b>EARNINGS BEFORE INTEREST &amp; TAXES</b>	25,221	18,247
Depreciation and Amortization	26,325	20,044
Depreciation of ROU Asset	4,034	3,447
Net (gain)/loss on sale of non-current assets	81	7
Other Non-Cash Provisions	2,189	649
<b>(A) TOTAL</b>	<b>57,850</b>	<b>42,395</b>
Inventories (inc)/dec	(9,991)	(4,787)
Trade Receivables (inc)/dec	(10,827)	809
Trade Payables inc/(dec)	9,243	4,637
Other Working Capital (inc)/dec	11,694	2,993
<b>(B) TOTAL WORKING CAPITAL CHANGE</b>	<b>119</b>	<b>3,651</b>
<b>(C) Income Tax (Paid) / Reimbursed</b>	<b>(5,389)</b>	<b>(4,634)</b>
<b>(D) = (A+B+C) OPERATING CASH FLOW</b>	<b>52,580</b>	<b>41,412</b>
Fixed Intangible Assets	4,646	4,251
Fixed Tangible Assets	30,693	37,505
<b>(E) TOT. NET CAPITAL EXPENDITURES</b>	<b>35,339</b>	<b>41,756</b>
<b>(F) = (D-E) CASH FLOW GENERATED</b>	<b>17,241</b>	<b>(344)</b>
Total Interest and Other Financial Costs Paid	(11,411)	(10,139)
Capital Received/(Dividend Paid)	18,132	31,773
Minority Acquisition	-	(31,773)
Proceeds from Bank Loans	505	-
Repayment of Bank Loans	(7,000)	(5,000)
Repayment of finance lease liabilities	(3,675)	(2,999)
Other Financial liabilities to repurchase own shares	(18,132)	18,138
<b>(G) FINANCIAL MOVEMENTS</b>	<b>(21,581)</b>	<b>(0)</b>
Currency Translation Effect	(510)	(117)
Acquisition of own shares	-	(18,132)
Exchange Gains/(Losses) on Financial Activities <sup>(2)</sup>	(1,142)	(1,353)
<b>(H) NON FINANCIAL MOVEMENTS IN EQUITY</b>	<b>(1,652)</b>	<b>(19,602)</b>
<b>(I) = (F+G+H) TOT. NET CASH FLOW IN/(OUT)</b>	<b>(5,992)</b>	<b>(19,946)</b>
Cash and Cash Equivalents at beginning of year	22,228	42,613
Exchange Gains/(Losses) on Cash and Cash Equivalents <sup>(2)</sup>	(115)	441
Restricted Cash	-	-
Cash and Cash Equivalents at end of the year	16,352	22,228
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(5,992)</b>	<b>(19,946)</b>

(1) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

(2) Net of unrealised gains and losses arising from transactions in foreign currency, reclassified in "Exchange Gain/Losses on Cash and Cash Equivalents"

## **1) REPORTING ENTITY**

Treetop Zobeles Bidco Limited. (the “Company” and, together with its subsidiaries, the “Group” or “Zobeles Group”) is a United Kingdom holding company incorporated on April 13, 2018 for an indefinite period of time.

The registered office of the Company is 36 Broadway, London, SW1H 0BH, United Kingdom.

The Company controls 100% of Zobeles Holding S.p.A., an Italian incorporated industrial holding company and Z Gamma B.V. a holding company incorporated in The Netherlands.

## **2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

These consolidated financial statements as of and for the year ended December 31, 2019 have been prepared in compliance with IFRS as issued by the International Accounting Standards Board, which are in force at the date of preparation of the financial statements.

The Consolidated Financial Statements as of December 31, 2019 include the consolidated statement of financial position as of December 31, 2019 and 2018, the consolidated income statement and the consolidated statement of comprehensive income for the twelve month periods ended December 31, 2019 and 2018, the consolidated statement of change in equity and the consolidated statement of cash flow for the twelve months ended December 31, 2019 and 2018 and the related explanatory notes.

They are presented in thousands of Euros, unless otherwise stated.

The consolidated statement of financial position as of December 31, 2019 and 2018 is presented in the format of “current/non-current”, based on the expectation of the realisation of the asset or extinction of the liability within the normal business operating cycle, assumed to be 12 months from the balance sheet date. The Consolidated Income Statements for the twelve months ended December 31, 2019 and 2018 are presented so that costs are classified by destination and the consolidated statement of cash flow for the twelve months ended December 31, 2019 and 2018 are presented using the indirect method.

The Consolidated Financial Statements as of and for the period ended December 31, 2019 have been prepared under the historical cost convention, except for financial assets and liabilities, including derivative instruments, if any, where fair value measurement is mandatory.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.18.

The main accounting standards applied, are consistent with those used in the preparation of the consolidated financial statements of the Company as of and for the year ended December 31, 2018.

These consolidated financial statements are prepared for the period ending December 31, 2019 and were approved by the Board of the Company on April 23, 2020.

### **2.2 Group reorganization and predecessor accounting**

Doughty Hanson & Co IV (“Fund IV”) acquired majority control of the Zobeles Group in December 13, 2006 holding its interest through its direct subsidiary of DHC IV Luxembourg IV S.à. r.l. (“DHC IV”).

DHC IV held 100% of DH Z S.à. r.l., (“DHZ”) a Luxembourg holding company which through a 75.58% stake in Z Alpha S.A., (“Z Alpha”) held an interest in 100% of another Luxembourg holding company Z Beta S.à. r.l. (“Z Beta”).

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In September 2018, a transaction was completed that resulted in a reorganization of Group entities under common control whereby Treetop Zobebe Bidco Limited (the “Company” or “Z Bidco”) which had been established by a new fund, DH Fund IV.1 (“Fund IV.1”) acquiring the Zobebe Group (“the Transaction”). Fund IV.1 was funded by certain new Limited Partners and some existing Limited Partners of Fund IV who chose to reinvest in Fund IV.1.

As part of the Transaction there was a restructuring involving the following steps:

- DHC IV sold to the Company all of its shares in DHZ (for cash consideration at fair market value and also sold all of the 1,406,676 CPECs issued by DHZ as well as all of the 3,581,689 PECs issued by Z Alpha.
- DHZ issued ordinary shares to the Company and used the funds received to acquire 50% of the shares in DHZ held by the minority shareholders Enthopar S.à r.l. (“Enthopar”) and TEC S.à r.l. (“TEC”), and 50% of the beneficiary certificates issued by Z Alpha at fair market value (the “Z Alpha Acquisition”).

Following the Z Alpha Acquisition:

- The CPECs issued by DHZ and held by Z Bidco were converted into shares under the terms of the CPECs.
- The PECs were redeemed by Z Alpha with the consideration left outstanding. Z Bidco contributed the receivable to DHZ in exchange for shares.
- DHZ contributed the receivable received from the previous step to Z Alpha to DHZ in exchange for the issue by DHZ new shares (the “New Shares”), which resulted in its cancellation.
- Beneficiary certificates issued by Z Alpha and held by DHZ, Enthopar and TEC were converted into shares (the “BC Conversion”).

Subsequently the co-investment by Zobebe Group minority shareholders in Z Alpha was rolled-up to Treetop Zobebe Midco Limited, (“Z Midco”), Z Bidco’s sole shareholder (the “Roll-up”) which involved the following steps:

- DHZ acquired the remaining shares in Z Alpha held by Enthopar, TEC and Z Men S.à r.l. (“Z Men”) in exchange for the issue of shares by DHZ. As recorded in a sale, transfer and contribution agreement between DHZ Enthopar, TEC, Z Men and Z Alpha.
- Z Bidco acquired shares in DHZ from Enthopar, TEC and Z Men in exchange for the issue of shares by Z Bidco.

Finally, following the Roll-up, with Effective date December 6, 2018 (the “Effective Date”), DHZ and subsequently Z Alpha and Z Beta were merged by way of a cross-border absorption of wholly owned subsidiaries into Z Bidco under the EU Cross Border Merger Directive, with Z Bidco surviving (the “Merger”).

As consequence of the Merger, all assets and liabilities of the merged companies DHZ, Z Alpha and Z Beta passed to Z Bidco.

With effect from the Effective Date, all transactions of the merged companies were treated for accounting purposes as being of a group reorganization and were accounted for in the Company Financial statements for the period ended December 31, 2018.

As the Group reorganization which occurred in 2018 qualifies as a combination between entities under common control outside the scope of IFRS 3, it was accounted for under the “predecessor accounting method”, and no new Goodwill was raised and all assets and liabilities of merged companies, including Goodwill, were stated at DHZ carrying value as of December 31, 2017.

From an accounting perspective the Group reorganization resulted in a change in the reporting entity from DHZ to Z Bidco. Therefore, these audited Consolidated Financial Statements represent the results for the twelve months periods ended December 31, 2019 of Z Bidco and its subsidiaries

Following the Group reorganization, the parent and ultimate controlling party of the Company is Treetop Zobebe Holdco Limited, at Level 1, IFC 1 Esplanade, St Helier, Jersey JE2 3BX, Channel Islands.

**2.3 New and revised accounting standards, interpretations and amendments issued by IASB/IFRIC adopted by the Group**

Summarized below are the international financial reporting standards, interpretation and amendments to the existing standards and interpretations or specific provisions included in standards or interpretations approved by the IASB, as at the date of December 31, 2019. The application of these new standards didn't have a material impact on these Consolidated Financial Statements:

***Amendments to IFRS 9 Prepayment Features with Negative Compensation***

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

***Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs***

The Annual Improvements include amendments to four Standards.

**IAS 12 Income Taxes**

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

**IAS 23 Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**IFRS 3 Business Combinations**

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

**IFRS 11 Joint Arrangements**

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

***Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement***

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

#### ***IFRIC 23 Uncertainty over Income Tax Treatments***

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

#### **2.4 New and revised accounting standards and interpretations issued by IASB/IFRIC not yet adopted by the Group**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these Consolidated Financial Statements.

#### ***IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

#### ***Amendments to IFRS 3 Definition of a business***

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

#### ***Amendments to IAS 1 and IAS 8 Definition of material***

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

#### ***Amendments to References to the Conceptual Framework in IFRS Standards***

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in *IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Group’s consolidated financial statements.

## **2.5 Basis and scope of consolidation, business combination occurring during the period**

### **2.5.1 Shareholdings in controlled companies**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Full line-by-line consolidation is applied to companies in which the Group exercises control (“controlled companies”). Controlled companies are consolidated from the date on which control is acquired and deconsolidated as from the date on which control ceases.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent



consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquirer's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured at fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

According to the full line-by-line method the following are eliminated:

- accounts payable and receivable existing between companies included in the consolidation, income and expenses relating to transactions between those same companies, as well as gains and losses resulting from operations between these companies relating to assets included on the balance sheet;
- intercompany profits in inventories;
- dividends paid from subsidiaries to the Group holding companies;

#### **2.5.2 Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### **2.5.3 Shareholdings in associated companies and other investments**

Shareholdings in companies over which a significant influence is exercised ("associated companies"), which is presumed to be the case when the percentage of shares held is between 20% and 50%, are valued by the equity method under IFRS 10 and IAS 28.

Under the equity method, the investment is initially recognised at cost, including any identified goodwill on acquisition date.

The share of result made by the associated companies, after acquisition, is entered in the income statement, while movements in reserves subsequent to acquisition are entered in reserves in shareholders' equity. When

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the Group share of losses in an associated company equals or exceeds the amount of its interests in that company, the value of its shareholding is reduced to zero and the Group does not book further losses relating to its share, unless and to the extent that the Group is responsible for them. Unrealised profits and losses generated by transactions with associated companies are eliminated in proportion to the percentage of the Group's shareholding in those companies.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Other investments in which the ownership percentage is less than 20%, or 10% if listed, or over which the Group exercises no significant influence, are valued at cost of purchase or subscription, net of write-downs relating to any losses considered likely to have a lasting effect on the value of the shareholdings concerned.

Valuation at cost is maintained, even though higher than that resulting from the equity method, provided that expected future income or implicit capital gains included in the shareholdings allow recovery of the higher accounting value to be expected.

## 2.5.4 Consolidation area

During the year ended December 31, 2019, the Group didn't change its composition, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructuring and discontinued operations and acquisition of non-controlling interests.

Therefore, the consolidated financial statements as of and for the year ended December 31, 2019 include the financial statements of Treetop Zobebe Bidco Limited. and of the following entities:

Entity	Country	% ownership	Shareholding (d) direct (i) indirect	Currency	Share Capital (thousands)	Consolidation Method
Z Gamma B.V.	The Netherlands	100%	d	Euro	18	Line-by-line
Zobebe Holding S.p.A.	Italy	100%	d	Euro	882	Line-by-line
Palma Electronic S.r.L.	Italy	100%	i	Euro	130	Line-by-line
Zobebe International B.V.	The Netherlands	100%	i	Euro	1.350	Line-by-line
Zobebe Espana S.A.	Spain	100%	i	Euro	790	Line-by-line
Zobebe Bulgaria Eood	Bulgaria	100%	i	Leva	500	Line-by-line
Zobebe México S.A. de C.V.	Mexico	100%	i	US\$	1.982	Line-by-line
Industrial Support Team S.A. de C.V.	Mexico	100%	i	PMX	100	Line-by-line
Zobebe Instruments Co. Ltd.	China	100%	i	US\$	3.775	Line-by-line
Zobebe Asia Pacific Ltd.	Hong Kong	100%	i	HK\$	7.790	Line-by-line
ZAE Industrial Co. Ltd	Hong Kong	100%	i	HK\$	500	Line-by-line
ZAE Plastic Metal Co. Ltd	China	100%	i	US\$	700	Line-by-line
Zobebe do Brazil Ltd.	Brazil	100%	i	BR\$	16.000	Line-by-line
Zobebe India Pvt. Ltd.	India	100%	i	INR	10.725	Line-by-line
Coil Master SDN. BHD.	Malaysia	29%	i	MYR	N.A.	Equity
Zobebe USA Inc.	USA	100%	i	US\$	0,1	Line-by-line

The financial statements used in the consolidation were those prepared for approval by the shareholders' meeting. Where the reporting date of a subsidiary differs from December 31, additional management reporting is prepared to the same date as those of the Group in preparing these consolidated financial statements. Financial statements of the subsidiaries that have been prepared in compliance with respective local GAAP are adjusted to IFRS accounting principles adopted by the Group.

## **2.6 Foreign currency translation**

### **2.6.1 Identification of the functional and presentation currency**

Amounts in the income statement and balance sheet of each Group company are entered in the currency of the primary economic environment in which the entity operates ("*functional currency*").

The Group consolidated financial statements are prepared in Euro ("*presentation currency*"), which is also the functional currency of the parent company.

### **2.6.2 Translation of foreign currency operations**

Transactions in currencies other than the functional currency, both monetary (liquid assets, assets and liabilities which will be paid in set or determinable amounts of cash etc.), and non-monetary (payments on account to suppliers of goods and/or services, goodwill, intangible assets etc.), are initially recorded at the exchange rate at the date when the transaction takes place.

Subsequently, monetary items are translated to the functional currency on the basis of exchange rates at the date of the financial statements.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within "Other (income)/expenses".

### **2.6.3 Translation of financial statements in currencies other than the functional currency**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated using financial year-end closing exchange rates;
- costs, sales, expenses and income are translated at the average exchange rate for the period;
- goodwill and adjustments resulting from the fair value associated with the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate for the period.
- all resulting exchange differences are recognized in other comprehensive income.

Exchange rates used for translation of financial statements in foreign currencies other than Euro for the year ended December 31, 2019 are shown below:

Currency	Average exchange rate as of December 31, 2019	Exchange rate as of December 31, 2019
USD – US Dollar	1.1195	1.1234
MXN – Mexican Peso	21.5573	21.1751
BRL – Brazilian Real	4.4149	4.5298
HKD – Hong Kong Dollar	8.7715	8.7473
RMB – Renminbi	7.7355	7.8205
INR – Indian Rupee	78.8361	80.1870
BGN – Bulgarian Lev	1.9558	1.9558

The exchange rates for the year ended December 31, 2018 are shown below:

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Currency	Average exchange rate as of December 31, 2018	Exchange rate as of December 31, 2018
USD – US Dollar	1.1810	1.1450
MXN – Mexican Peso	22.6981	22.4643
BRL – Brazilian Real	4.3085	4.4383
HKD – Hong Kong Dollar	9.2559	8.9675
RMB – Renminbi	7.8081	7.8751
INR – Indian Rupee	80.7332	79.7298
BGN – Bulgarian Lev	1.9558	1.9558

## **2.7 Revenue from Contracts with Customers**

The Group is mainly engaged in contract manufacturing agreements with its customers: therefore, the main performance obligation identified during the assessment of the impact of IFRS 15 are the sale of finished products and recharge of additional production costs commercially agreed to be recovered from the clients.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts received for goods sold, stated net of rebates, discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below.

Sales of goods, scrap materials and samples represent the Group sales of household Air Care, Personal Care, Fabric Care and Insecticide products to group companies and overseas customers. The Group bears the inventory risk and credit risk and is the primary obligor to its customers. Revenue from sale of goods, scrap materials and samples are recognised when control of goods has transferred, effectively when the products are delivered to the customer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

No element of financing is deemed present as the sales are made with credit terms of 60 to 120 days, which is consistent with market practice. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Upon adoption of IFRS 15 in 2018, the Group reassessed the performance obligations for certain sales contracts that included contributions from customers to support the setting up and maintenance of certain equipment or production lines to be used for providing the customer with finished goods. It was determined that such contributions from customers were related to performance obligations of selling goods and therefore were not deemed to be a separate performance obligation. Upfront customer contribution is held on the balance sheet as deferred revenue until the point of recognition.

As a result, customer contribution is recognised over the shorter of the periods between the relevant sales contracts for which equipment or production lines were set up and the useful life of the asset.

## **2.8 Tangible assets**

Tangible assets are entered in the balance sheet at cost of acquisition or internal production, including directly attributable ancillary costs, net of cumulative depreciation.

Borrowing costs that are directly attributable to the acquisition construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The borrowing costs that are directly attributable to the acquisition construction or production of qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made.

Plant and machinery may include parts with different useful lives. Depreciation is calculated on the useful life of each individual part; in the event of replacement, new parts are capitalised to the extent that they meet the criteria for entry as assets, and the book value of the parts replaced is eliminated from the balance sheet. The residual value and useful life of assets are reviewed at least at every financial year-end and if, independently of depreciation already recorded, an impairment loss occurs calculated on the basis of

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application of IAS 36, the fixed asset is written down accordingly; if, in future years, the reasons for the write-down no longer apply, its value is restored.

Ordinary maintenance costs are expensed in the income statement when incurred, while maintenance costs which increase the value of assets are allocated to the relative assets and depreciated over their residual useful lives.

Depreciation charged to the income statement has been calculated on a systematic and straight-line basis, at rates considered to be representative of the estimated useful economic and technical life of the assets.

The main annual depreciation rates applied are the following:

#	CATEGORY	Life in Years	Annual Rate
1	LAND	-	--
2	BUILDING	30	3.33%
3	INSTALLATIONS	10	10.00%
4	GENERAL EQUIPMENT	10	10.00%
5	PRODUCTION MACHINERY	8.33	12.00%
6	MOULD	3	33.30%
7	GENERAL TOOLING	3	33.30%
8	OFFICE EQUIPMENT & FURNITURE	10	10.00%
9	HARDWARE/ELECTRONIC OFFICE EQUIPMENT	5	20.00%
10	TELECOMMUNICATION EQUIPMENT	5	20.00%
11	MATERIAL HANDLING EQUIPMENT	5	20.00%
12	CARS AND TRUCKS	4	25.00%

Land is not subject to depreciation.

Assets under construction are measured at cost, including directly attributable expenses.

The tangible asset depreciation related to the assets acquired through the business combination, are based on the residual useful life estimated by the appraisal of an independent advisor.

## **2.9 Leases**

### Assessment if the agreement is, or contains, a lease

The Group assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In the case where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designs the asset in a way that predetermines how and for what purposes it will be used.

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments

as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Definition of lease term

The Group identifies lease term as the “non-cancellable period for which the Group has the right of use to an underlying asset” together with both:

- Periods covered by an option to extend the term lease if the lessee is reasonably certain to exercise that option; and
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

ROU asset measurement

The ROU asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of dismantling and restoration costs to be incurred by the lessee.

Initial direct costs that are incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained are capitalized in the gross value of ROU asset.

ROU asset is subsequently depreciated using the straight-line method from the commencement date of the lease agreement to the earliest of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful life of ROU asset is determined on the same basis of those of property, plant and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of lease liability.

Lease liability measurement

- The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.
- The rate is defined as the rate of interest that the lessee would have to pay on commencement date to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.
- Lease payments included in the measurement of the lease liability the following lease payments:
  - fixed lease payments (including in-substance fixed payments), less any lease incentives;
  - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
  - any exercise price of purchase options, if the group is reasonably certain to exercise the options; and
  - payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease incentives such as an up-front cash payment to the lessee, payment of costs for the lessee (such as moving expenses), free rent period, are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Presentation as a lessee

Statement of financial position.

IFRS 16 requires that leased assets be presented separately from other assets and lease liabilities separately from other liabilities. This requirement can either be met by separate presentation on the face of the statement of financial position or within the notes.

The Group has opted for a separate presentation of the right-of-use assets and lease liabilities from other assets and liabilities in the statement of financial position.

*Statement of profit or loss and comprehensive income*

Initial direct costs incurred by the Group upon entering a lease, as a lessee, are included in the cost of the right-of-use asset. Accordingly, these costs are amortised over the lease term whereas they may have been expensed as incurred for operating leases under IAS 17.

*Statement of cash flows*

As required by IFRS 16, the Group presents repayment of principal within the cash flows from financing activities. As permitted by IAS 7 and in accordance with the Group's accounting policy, interest paid is also classified as part of cash flows from financing activities.

Lease payments for short-term leases and leases of low-value assets not recognized on the balance sheet and variable lease payments not included in the lease liability are presented within Operating cash flows.

Non-cash activity (e.g., the initial recognition of the lease at commencement) is disclosed as a supplemental non-cash item.

**2.10 Intangible assets**

Intangible assets are measured at cost of acquisition or internal production, including directly attributable ancillary costs.

The cost of an internally generated intangible asset includes only those expenses which can be directly attributed to the asset as from the date when the asset meets the criteria to be classified as an intangible asset. After initial recognition, intangible assets are recorded at cost, net of accumulated amortization and any impairment losses calculated as set out in IAS 36.

An intangible asset, which is generated during the development phase of an internal project, which meets the definition of development according to IAS 38, is recognized as an asset if the cost of the asset can be measured reliably, the product / process is technically feasible, if it is probable that the Group will enjoy expected future benefits attributable to the asset developed and the Group intends to and has sufficient resources to complete development and to use or sell the intangible asset.

Research costs are recorded as expenses into the income statement as incurred.

Assets under construction are measured at cost, including directly attributable expenses.

Intangible assets are subject to amortization unless they have undefined useful lives. Amortization is applied systematically over the useful life of the intangible asset in accordance with estimated future economic use. The residual value at the end of the useful life is assumed to be zero unless there is a commitment from third parties to buy the asset at the end of its useful life or if there is an active market for the asset. The directors review the estimated useful lives of intangible assets at every financial year-end.

The main annual amortization rates applied are in the following ranges:

#	CATEGORY	Life in Years	Annual Rate
1	SOFTWARE AND LICENSES	3	33.30%
2	DEVELOPMENT CAPITALIZED COSTS	3	33.30%
3	PATENTS	3	33.30%
4	TRADE MARKS	10	10.00%
5	OTHER INTANGIBLE	5	20.00%

## **2.11 Goodwill**

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill, acquired in a business combination, is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is assessed against the Group's cash-generated units (CGU), of which there is one.

In identifying a CGU, the Group considers the capacity to generate largely independent cash inflows from other assets, based on the dedicated assets and revenue stream separation of each CGUs. The manner in which management monitors operations and makes decisions about continuing or disposing of assets and/or operations is also taken into consideration.

The CGU has been identified consistently from period to period for the same asset or types of assets, unless a change is justified following a reorganization process or change in management structure that results in a change in the way the management runs and monitors existing businesses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses relating to goodwill cannot be reversed in future periods. The annual impairment test is performed at least at the end of each financial year.

## **2.12 Net Inventories**

Stocks of raw and consumable materials are measured at the lower of purchase cost, including ancillary expenses, calculated using the weighted average cost method, and estimated realizable value (equivalent to replacement cost), based on market prices at the end of the period.

Finished and semi-finished products are valued at production cost. This cost includes both raw materials and direct production costs based on normal operating capacity.

Where the estimated realizable value is less than the production cost, the inventory is written down to estimated realizable value and a provision for inventory obsolescence is accrued. The accrual of this provision is recorded directly in the income statement.

## **2.13 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and short-term high liquidity investments which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flow, cash and cash equivalents consist of cash and short term deposits net of outstanding banks overdraft and restricted cash.

## **2.14 Employee termination benefits**

The Group operates post-employment schemes, mainly consisting in defined benefit plans.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any.

Employee termination benefits (including Italian TFR "Trattamento di fine Rapporto") are subject to actuarial valuation using the projected unit credit method, discounted to present value using a rate of interest which reflects the market yield on the securities issued by leading companies, with maturities equal to that expected for the liability; the calculation considers TFR to have already matured for employee services already performed.

The amount related to the benefits matured by the employees during the year has been considered as labour cost. The financial component for the actualization process has been classified as financial expenses.



Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

## **2.15 Current and Deferred income tax**

### **2.15.1 Current income taxes**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received and reflects uncertainty related to income tax, if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current tax assets and liabilities are offset only if offsetting criteria are met.

### **2.15.2 Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

Deferred income tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profit is determined based on the reversal of relevant taxable differences. If the amount of temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the expected taxable profit for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profit improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred Income taxes relating to items recognised directly in Other comprehensive income are recognised in Other comprehensive income and not in the income statement.

Deferred tax assets and liabilities are classified under non-current assets and liabilities in the balance sheet.

Deferred tax assets and deferred tax liabilities are offset within the same entity if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## **2.16 Contingent liabilities**

The Group makes accruals only when a current obligation exists for a future outflow of economic resources as a result of past events, and when it is probable that this outflow of economic resources will be required to settle the obligation, and the amount of the same can be reasonably estimated.

The amount accrued in the accounts is the best estimate of the expense required to completely extinguish the current obligation.

Any restructuring costs are recognized when the Group has drawn up a detailed restructuring plan and has communicated it to interested parties.

## **2.17 Financial Instruments**

### **Classification**

the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in comprehensive income or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### **Recognition and derecognition**

Normal purchases and sale of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in comprehensive income.

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in comprehensive income and presented in other gains/(losses). Impairment losses are presented as a separate line item in the consolidated statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to comprehensive income and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in comprehensive income.

### Impairment

From 1st January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, the Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus, no provision for impairment was recognised at December 31, 2019.

## **2.18     Accounting estimates and judgements**

The preparation of the consolidated financial statements in accordance with IFRS requires judgements and estimates to be made which have an effect on the carrying amounts of recognised assets and liabilities, income and expenses and contingent liabilities. Judgements and estimates are generally based on uniform useful lives of assets, impairment tests, in particular for goodwill, accounting and measurement policies for provisions and the probability of future tax benefits, in particular with regard to tax loss carry forward. The actual figures may in some cases differ from the judgements and estimates made. Changes are recognised in the income statement as and when better information is available.

Set out below are the critical accounting estimates used in finalizing the financial statements because they involve significant recourse to subjective judgements, assumptions and estimates.

### **2.18.1     Seasonality of operations**

On an annual basis demand for pest control products is relatively stable due to the non-discretionary nature of the product; however local weather conditions can cause significant fluctuations in sales. Production of pest control products is seasonal, and peak demand occurs during the spring and the summer when insects and other pests are most active; however, changes in weather conditions from year to year can have a substantial impact on insect populations in different geographic regions which directly impacts demand for pest control products.

The Group's financial results for any individual quarter are typically sensitive to seasonality, however, results for interim periods are not necessarily indicative of results that may be expected for any other interim periods or for a full year.

### **2.18.2     Operating segment information**

The board of directors is the Group's chief operating decision-maker. Management has determined that there is one operating segment based on the information reviewed by the board of directors for the purposes of allocating resources and assessing performance.

The Group now operates in a "one-stop-shop" business model offering customers global solutions and services covering the entire value chain. Key elements of this model are:

- Structured product innovation process aligned and integrated with the innovation processes of our global customers and an established partnership with global accounts;
- Product development and customised approach with design and development facilities located at the main production plants and close to customers;
- Unique platform to manufacture and deliver products globally with manufacturing facilities close to end markets to provide a supply chain service to customers;
- Enlarged product portfolio for B2B and B2C customers based on a common dispensing technology platform across product categories.

Therefore, no further operating segment information is presented other than that presented in the financial statements.

### **2.18.3 Impairment testing**

#### Impairment of non-financial assets

Tangible fixed assets and intangible assets are impaired in value when events or changed circumstances indicate that the value recorded in the balance sheet is not recoverable. The impairment is calculated by comparing the book value with the relative recoverable value, represented by the greater of fair value, net of disposal costs, and the value in use, calculated by discounting to present value expected cash flows deriving from use of the asset, net of disposal costs.

Expected cash flows are quantified in the light of information available when the estimate is made, on the basis of subjective opinions on the trend of future variables – such as prices, costs, growth rates of demand and production profiles – and discounted to present value using a rate which takes into account the risk inherent in the asset in question.

The Group has significantly evolved, over the last few years, from a product based business model to a total customer satisfaction model and consequently, Management has deemed it appropriate to identify the whole Group as a sole CGU relevant for financial reporting purposes.

In more detail, the impairment test of Goodwill is based on the following assumptions:

- analyses have been performed on Enterprise Value level and have been based on the approach of Value in Use;
- the single CGU is the smallest identifiable Group of assets that generates cash inflows from continuing use, and are largely independent of the cash inflows from other assets or Groups of assets;
- the Value in Use has been determined using the Discounted Cash Flow (DCF) methodology, which states that the economic value of the invested capital is equal to the present value of the following components:
  - ✓ sum of net operating cash flows generated in each year of the explicit forecast period;
  - ✓ the terminal value, understood as the cash flows the company will be able to generate beyond the explicit forecast period; and
  - ✓ WACC (weighted average cost of capital) has been used as a pre-tax discount rate.

#### *Impairment of financial assets*

Impairment of financial assets accounting policy following the adoption of IFRS 9 has been disclosed in Note 2.17

### **2.18.4 Provisions**

#### General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated financial statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted. The discount rate used to determine the present value is a pre-tax rate that reflects current market risk assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Key judgements are made in assessing an appropriate level of provisioning.

#### Restructuring provisions

Restructuring provisions are recognized only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

#### **2.18.5 Deferred taxes**

The recording of deferred tax assets is made on the basis of profit expectations in future years. The valuation of expected profits for the purpose of recording deferred tax depends on factors which can change over time and have significant impacts on the valuation of the deferred tax assets.

#### **2.18.6 Estimate of fair value**

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date, if any.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **2.18.7 Pensions and post retirement plans**

Accounting for pensions and post-retirement benefit plans requires the use of estimates and assumptions regarding numerous factors, including discount rate, rate of return on plan assets, mortality and employee turnover. Actual results may differ from the Group's actuarial assumptions, which may have an impact on the amount of reported expense or liability for pensions or post-retirement benefits.

#### **2.18.8 Cash-settled share based payment plan**

The Group in 2017 also operated a cash-settled share-based payment plan that is granted to some employees and that will be paid upon realisation of some market performing conditions, including in case of an exit. Following the Group reorganisation in 2018, the cash-settled share-based payment plan was unwound.

#### **2.19 Going concern**

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The financial performance of the Group can be impacted by many factors, including market conditions, exchange rates, weather conditions and overall demand from key customers.

Additionally, the Directors have considered the implications and potential risks of Covid-19 to the Group's operations and business model. The Group's global presence and the type of products and market segments in which it operates have so far largely been able to shield it from the most significant effects of COVID-19. At the authorization date of the financial statements current forecasts show that it is expected to impact the first half of 2020 and then show a gradual recovery in the second half of 2020 See Note 7.3 for more detailed explanation of Covid 19 impact on Group operations.

Management has determined that there are no circumstances which would indicate that the Company could not continue to operate as a going concern for at least the twelve months from the balance sheet date.

### 3) BALANCE SHEET INFORMATION

#### NON CURRENT ASSETS

##### 3.1. Net Tangible Assets

The following table sets forth a breakdown of the movements in net tangible assets:

<i>In thousands of Euro</i>	Land & Buildings	Machinery & Installations	Equipment & Toolings	Other assets	Asset under Construction	Total
Net Balance at December 31, 2017	42,504	41,657	2,945	2,364	7,882	97,352
Additions	2,609	27,802	2,711	1,023	4,362	38,508
Disposals	-	(885)	(24)	(21)	-	(930)
Depreciation	(1,079)	(13,525)	(1,644)	(778)	-	(17,026)
Impairment losses	-	(677)	-	-	-	(677)
Reclassifications	-	1,466	0	(0)	(1,539)	(73)
Exchange differences	164	1,516	142	21	311	2,154
Net Balance at December 31, 2018	44,199	57,353	4,130	2,609	11,017	119,308
Additions	3,284	16,218	2,369	947	8,641	31,459
Disposals	-	(734)	(103)	(10)	-	(847)
Depreciation	(1,373)	(15,647)	(2,275)	(927)	-	(20,222)
Impairment losses	(1,481)	(556)	-	-	-	(2,037)
Reclassifications	-	8,105	-	(23)	(8,082)	-
Exchange differences	81	798	68	25	151	1,123
Net Balance at December 31, 2019	44,710	65,537	4,189	2,621	11,727	128,784

See Strategic Report for comments on 2019 capital expenditure.

As of December 31, 2019, certain of the Group's tangible fixed assets are secured in favour of Secured Parties of the Term loan facility agreement as described in the following Note 3.15.

##### 3.2. Leases

###### 3.2.1. Right-of-use of assets

The following table sets forth a breakdown of the movements in the right-of-use assets for each asset category held under lease agreements:

**Treetop Zobe Bidco Limited**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019**



*In thousands of Euro*

	Land & Buildings	Other assets	Total
<b>Restated Balance at January 1, 2018</b>	<b>14,844</b>	<b>858</b>	<b>15,702</b>
Additions	6,630	567	7,197
Disposals	-	-	-
Depreciation	(3,029)	(418)	(3,447)
Impairment losses	-	-	-
Non Recurring Items	-	-	-
Reclassifications	-	-	-
Reclass to non-current assets held for sale	-	-	-
Exchange differences	529	16	545
<b>Balance as of December 31, 2018 as reported</b>	<b>18,974</b>	<b>1,023</b>	<b>19,997</b>
Additions	1,006	416	1,422
Disposals	-	-	-
Depreciation	(3,514)	(520)	(4,034)
Impairment losses	-	-	-
Non Recurring Items	-	-	-
Reclassifications	-	-	-
Reclass to non-current assets held for sale	-	-	-
Exchange differences	265	15	280
<b>Net Balance at December 31, 2019</b>	<b>16,731</b>	<b>934</b>	<b>17,665</b>

### 3.2.2. Lease liabilities

The following table sets forth the maturity analysis showing the undiscounted lease liabilities and the amount of liabilities included in the Financial Statement:

<i>In thousands of Euros</i>	As of December 31, 2019	As of December 31, 2018
<b>Maturity Analysis</b>		
No later than 1 year	4,586	4,719
Later than 1 year and no later than 5 years	15,890	17,564
Later than 5 years	8,834	11,058
<b>Total undiscounted lease liabilities</b>	<b>29,310</b>	<b>33,341</b>
<b>Lease liabilities included in Financial Statement</b>	<b>22,632</b>	<b>24,642</b>
Current Lease Liabilities	3,281	3,404
Non Current Lease Liabilities	19,351	21,238

Amounts for interest and expenses related to lease agreements recognised in Profit and Loss for the periods ended December 31, 2019 and 2018 are shown in the table below:

<i>In thousands of Euros</i>	As of December 31, 2019	As of December 31, 2018
Interest on lease liabilities	1,500	1,491
Variable lease payments not included in the measurement of lease liabilities	-	-
Income from sub-leasing Right-Of-Use Assets	-	-
Expenses related to short-term leases	180	428
Expenses related to leases of low-value assets	-	-
<b>Total amount recognised in profit and loss</b>	<b>1,680</b>	<b>1,919</b>

The following table sets forth the amounts recognised in the statement of Cash Flow for lease agreements including interest and instalment payments for the periods ended December 31, 2019 and 2018:



**Treetop Zobebe Bidco Limited**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019**



<i>In thousands of Euros</i>	As of December 31, 2019	As of December 31, 2018
Interest on lease liabilities	(1,500)	(1,491)
Repayment of finance lease liabilities	(3,675)	(2,999)
<b>Total cash outflow for leases</b>	<b>(5,175)</b>	<b>(4,490)</b>

### 3.3. Net Intangible Assets

The following table sets forth a breakdown of the movements in net intangible assets:

<i>In thousands of Euro</i>	Patents & Similar Rights	Licences & Trademarks	Development costs	Assets under development	Other Intangibles	Total
Net Balance at December 31, 2017	428	1,099	6,714	141	(232)	8,150
Additions	328	373	3,679	-	-	4,380
Disposals	-	-	-	-	-	-
Amortization	(308)	(439)	(2,785)	-	232	(3,300)
Impairment losses	-	-	(590)	-	-	(590)
Reclassifications	-	13	-	(143)	-	(130)
Exchange differences	-	(22)	-	4	-	(19)
Net Balance at December 31, 2018	448	1,024	7,018	1	0	8,491
Additions	320	398	3,929	2	-	4,649
Disposals	(5)	-	-	-	-	(5)
Amortization	(318)	(475)	(3,085)	-	-	(3,878)
Impairment losses	-	-	(188)	-	-	(188)
Exchange differences	-	2	1	1	-	4
Net Balance at December 31, 2019	445	949	7,675	4	0	9,073

Licences, industrial patents and similar rights consisted mainly of new patents completion associated with product solutions and costs of acquiring licences used in Group activities.

The Group capitalized €3,930 thousand in Development costs incurred during the twelve months ended December 31, 2019, compared to €3,679 thousand during the twelve months ended December 31, 2018.

At the balance sheet date of December 31, 2019, intangible assets included Development costs of new products that will not be realized as previously expected. The Group therefore carried out a review of the recoverable amount of capitalized development costs. The review led to the recognition of an impairment loss of €188 thousand.

As of December 31, 2019, certain of the Group's Intellectual Property intangible fixed assets were secured in favour of Secured Parties of the Term loan facility agreement as described in the following Note 3.15.

### 3.4. Goodwill

Doughty Hanson acquired the majority control of Group in December 13, 2006 and for accounting purposes, the business combination has been recorded from the January 1, 2007.

As the Group reorganization that occurred in 2018 qualifies as a combination between entities under common control outside the scope of IFRS 3, and it was accounted for under predecessor accounting method, no new Goodwill arose and all assets and liabilities of merged companies, including Goodwill, were stated at DHZ carrying value as of December 31, 2017.

At the acquisition date, the total difference of €235,216 thousand between purchase cost of subsidiaries and equities was allocated to:

- Land and buildings for an amount equal to €41,857 thousand;
- Property and equipment for an amount equal to €13,426 thousand;
- Related deferred tax liabilities for an amount equal to €20,005 thousand.

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Goodwill arises as a non-allocated difference between the cost of acquisition and the subsidiaries equity and was equal to €199,938 thousand.

Considering the Group's current business model based on a global company providing complete customer solutions, the Goodwill is allocated to a unique CGU represented by the entire Group, please also refer to Note 2.9.

Zobebe's technical know-how and manufacturing capabilities became a common base for the development of new products in the Group's portfolio, driven by customer requirements.

The Group's business organisation is set up under a matrix model where decisions on investments and disinvestments of assets and on the development of new products, supply and customer management, and Group's operations are spread through geographical areas, production plants, product and customer categories.

Under the Group's current business model cash inflows are generated from geographical areas, production plants, product categories and customers. It is not possible to identify dedicated assets or Groups of assets that generate largely independent cash inflows.

### **3.4.1 Reconciliation of carrying amount**

The residual value of goodwill was equal to €202,090 thousand.

The following table summarizes the movement of the *Goodwill* in the last two reporting periods:

<i>In thousands of Euros</i>	
<b>Net Balance at December 31, 2017</b>	<b>202,089</b>
Additions	-
Impairment	-
Other movement	-
Exchange difference	1
<b>Net Balance at December 31, 2018</b>	<b>202,090</b>
Additions	-
Impairment	-
Other movement	-
Exchange difference	-
<b>Net Balance at December 31, 2019</b>	<b>202,090</b>

Goodwill is monitored by management at the level of one CGU.

### **3.4.2 Impairment test**

The carrying value of goodwill is sensitive to the projected value of the following assumptions:

- Sales growth;
- Gross Margin & EBITDA levels, net of tax impact;
- Cash Flow generated;
- Capital expenditure and Working Capital variance.

On an annual basis, Management calculates the forecasted financial performance of the CGU in order to test if any Goodwill impairment exists. The analysis considers a three year forecasted period, following which a terminal value of cash flows is calculating using the third year of this period.

The impairment test of the Goodwill is based on the following assumptions:

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- the analyses have been performed on Enterprise Value level and have been based on the approach of Value in Use;
- the single CGU is the smallest identifiable Group of assets that generates cash inflows from continuing use, and are largely independent of the cash inflows from other assets or Groups of assets;
- the Value in Use has been determined using the Discounted Cash Flow (DCF) methodology, which states that the economic value of the invested capital is equal to the present value of the following components:
  - ✓ sum of net operating cash flows generated in each year of the explicit three year forecast period;
  - ✓ the terminal value, understood as the cash flows the company will be able to generate beyond the explicit forecast period; and
  - ✓ WACC (weighted average cost of capital) has been used as a pre-tax discount rate.

The following table sets forth the key assumptions for impairment analysis:

	As of December 31, 2019	As of December 31, 2018
<b>Group CGU</b>		
Long term growth rate (%)	1.0%	1.0%
WACC (%)	10.7%	10.7%

The 2019 impairment review, based on Group's financial forecasts using the assumptions listed, confirmed that the recoverable amount of the CGU exceeded the carrying value of the CGU, inclusive of goodwill. Therefore no impairment is required in 2019.

### 3.4.3 Impairment test – sensitivity analysis

The recoverable amount by CGU would be equal to its carrying amount if the key assumptions above were to change as follows:

Sensitivity analysis has been performed over the key assumptions in the impairment test, which consider any reasonably possible changes. This included considering a 0% terminal growth value (2018: 0%), and using a range of pre-tax discount rates from 5% to 15% (2018: 5% to 15%). There were no reasonably possible scenarios which resulted in any impairment.

### 3.5. Other Investments

<i>In thousands of Euro</i>						
Entity	Country	Owned %	Purchase Cost	Reserve	Net Value as of 31 December 2019	Net Value as of 31 December 2018
Coil Master SDN. BHD.	Malaysia	29%	39	(39)	-	-
Investments in "Fondos de Inversion del Mercado Monetario -"	Spain	n.a.	578	-	-	-
Other Investment		n.a.	15	-	1	1
<b>Total Other Investments</b>					<b>1</b>	<b>1</b>

### 3.6. Deferred Income Taxes

The amount and the movements of deferred income tax assets and liabilities during the year are shown in the table below, where the effects on the income statement and balance sheet, and any reclassifications are summarised:

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<i>In thousands of Euro</i>	As of December 31, 2018	P&L Movements Tax	Equity movements	Exchange difference	Reclassification	As of December 31, 2019
Deferred tax assets non current	10,189	3,147	-	145	(181)	13,300
Deferred tax assets on Net ROU Assets	997	13	-	15	-	1,025
<b>Total deferred tax assets</b>	<b>11,186</b>	<b>3,160</b>	<b>-</b>	<b>160</b>	<b>(181)</b>	<b>14,325</b>

<i>In thousands of Euro</i>	As of December 31, 2018	P&L Tax	Equity movements	Exchange difference	Reclassification	As of December 31, 2019
Deferred tax liabilities non current	14,077	(363)	-	13	(181)	13,546
<b>Total deferred tax liabilities</b>	<b>14,077</b>	<b>(363)</b>	<b>-</b>	<b>13</b>	<b>(181)</b>	<b>13,546</b>

### 3.6.1. Deferred Tax Assets

Deferred tax assets composition refers to the following:

<i>In thousand of Euro</i>	As of December 31, 2019	As of December 31, 2018
Financial instruments	186	-
Net Inventories	1,892	1,820
Provisions	1,439	755
Net Tangible Assets	7,527	5,927
Net ROU Asset	1,025	997
Employee termination benefits	57	37
<b>Sub-total</b>	<b>12,126</b>	<b>9,536</b>
Other		
Other Employees Benefits	644	548
Other deferred revenues and costs	1,555	1,102
<b>Sub-total Other</b>	<b>2,199</b>	<b>1,650</b>
<b>Total deferred tax assets</b>	<b>14,325</b>	<b>11,186</b>

The amount and the movements of deferred income tax assets during the year are shown in the table below:

<i>In thousands of Euro</i>	As of December 31, 2018	Movements in OCI (Tax)	Non Recurring	Equity movements	Exchange difference	Reclassification	As of December 31, 2019
Financial instruments	-	186	-	-	-	-	186
Net Inventories	1,820	131	-	-	-	(59)	1,892
Provisions	755	673	-	-	-	11	1,439
Net Tangible Assets	5,927	1,613	-	-	115	(128)	7,527
Net ROU Assets	997	13	-	-	15	-	1,025
Employee termination benefits	37	16	-	-	-	4	57
Other deferred revenues and costs	1,650	528	-	-	30	(9)	2,199
<b>Total deferred tax assets</b>	<b>11,186</b>	<b>3,160</b>	<b>-</b>	<b>-</b>	<b>160</b>	<b>(181)</b>	<b>14,325</b>
<b>Total deferred current tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax assets</b>	<b>11,186</b>	<b>3,160</b>	<b>-</b>	<b>-</b>	<b>160</b>	<b>(181)</b>	<b>14,325</b>

The recoverability of Deferred Tax Assets recognized on temporary differences that will be reversed in future tax periods is ensured by the future expected taxable income.

### 3.6.2. Deferred Tax Liabilities

Deferred tax liabilities are summarized as follows:

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<i>In thousand of Euro</i>	As of December 31, 2019	As of December 31, 2018
Financial instruments	334	334
Employee termination benefits	-	-
Net Tangible Assets	10,734	11,363
Net Intangible Assets	1,684	1,539
<b>Sub-total</b>	<b>12,752</b>	<b>13,236</b>
Other		
Unrealized Fx gains/losses	794	841
Other deferred revenues and costs	-	-
<b>Sub-total Other</b>	<b>794</b>	<b>841</b>
<b>Total deferred tax liabilities</b>	<b>13,546</b>	<b>14,077</b>

The amount and the movements in deferred income tax liabilities during the year are shown in the table below:

<i>In thousand of Euro</i>	As of December 31, 2018	Movements in OCI (Tax)	Equity movements	Exchange difference	Reclassification	As of December 31, 2019
Financial instruments	334	-	-	-	-	334
Net Tangible Assets	11,363	(439)	-	13	(203)	10,734
Net Intangible Assets	1,539	145	-	-	-	1,684
Other deferred revenues and costs	841	(69)	-	-	22	794
<b>Total deferred tax liabilities</b>	<b>14,077</b>	<b>(363)</b>	<b>-</b>	<b>13</b>	<b>(181)</b>	<b>13,546</b>
<b>Total deferred current tax liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax liabilities</b>	<b>14,077</b>	<b>(363)</b>	<b>-</b>	<b>13</b>	<b>(181)</b>	<b>13,546</b>

### 3.7. Other Non Current Assets

The following table sets forth a breakdown of other non current assets at December 31, 2019 and 2018:

<i>In thousands of Euro</i>	As of December 31, 2019	As of December 31, 2018
Receivables from non consolidated entities	-	449
Other non current assets	143	-
Deposits	971	786
<b>Total other non current assets</b>	<b>1,114</b>	<b>1,235</b>

## CURRENT ASSETS

### 3.8. Net Inventories

The following table sets forth a breakdown of net inventories at December 31, 2019 and 2018:

<i>In thousands of Euros</i>	As of December 31, 2019	As of December 31, 2018
Raw materials & Consumables	27,783	20,436
Semi-finished Goods	10,972	9,482
Finished goods	14,174	13,288
Inventory Obsolescence Reserve	(3,818)	(3,965)
<b>Total Net Inventories</b>	<b>49,111</b>	<b>39,242</b>

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Movements in the “Inventory Obsolescence Reserve” were as follows at December 31, 2019 and 2018:

<i>In thousands of Euros</i>	Reserve for raw and consumable materials	Reserve for work and contract work in progress	Reserve for finished goods	Total inventory obsolescence reserve
Inventory obsolescence reserve at December 31, 2017	(1,039)	(48)	(2,586)	(3,674)
Used	43	22	183	248
Addition	(284)	(63)	(304)	(651)
Exchange differences	38	(53)	128	113
Reclass	-	-	-	-
Inventory obsolescence reserve at December 31, 2018	(1,242)	(143)	(2,580)	(3,965)
Used	447	50	135	632
Addition	(99)	(72)	(308)	(479)
Exchange differences	(10)	(1)	5	(6)
Reclass	350	-	(350)	-
Inventory obsolescence reserve at December 31, 2019	(554)	(166)	(3,098)	(3,818)

The obsolescence reserve estimate has been based on specific calculations on the basis of the aging of stock and sales order coverage of material.

### 3.9. Commercial External Receivables

The following table sets forth a breakdown of commercial receivables at December 31, 2019 and 2018:

<i>In thousands of Euros</i>	As of December 31, 2019	As of December 31, 2018 Restated
Trade receivables	59,847	50,028
Bad debt provision	(4,329)	(3,581)
<b>Total commercial external receivables</b>	<b>55,518</b>	<b>46,447</b>

Commercial external receivables are recorded net of the provision for doubtful receivables.

Contributions from customers to support the setting up and maintenance of certain equipment or production lines to be used for providing the customer with finished goods classified in previous year among the Trade receivables have been reclassified to Other payables to more appropriately represent the nature of these balances. There was no impact on the opening balance at 1 January 2018. Following the above, the cash flow statement has also been restated to reflect the impact of this item on receivables and working capital movements.

The Group factors a percentage of Trade receivables, largely through captive factoring managed by certain key customers. The factoring is without recourse and managed by investment level financial institutions and Trade Receivables in the Group’s balance sheet are reported at amortised cost, based on the business model of the Group.

The following table sets forth a breakdown of movements in the provision for doubtful receivables:

<i>In thousands of Euros</i>	As of December 31, 2019	As of December 31, 2018
<b>Bad debt provision at the beginning of the period</b>	<b>(3,581)</b>	<b>(4,080)</b>
Used	-	567
Additions	(748)	(68)
<b>Bad debt provision at the end of the period</b>	<b>(4,329)</b>	<b>(3,581)</b>

The accrual and release of provision for impaired receivables have been included in ‘other Expense/(Income)’ in the income statement.

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**3.10. Income Tax Receivables and Payables**

As of December 31, 2019 Income tax receivables were €6,365 thousand (€5,272 thousand as of December 31, 2018) and mainly refer to net tax receivables of Zobeles Holding S.p.A..

As of December 31, 2019 Income tax payables were €5,924 thousand (€3,260 thousand as of December 31, 2018) and mainly refer to net tax payables of Zobeles Mexico S.A. de C.V. and Zobeles Asia Pacific Ltd.

**3.11. Other Receivables**

The following table sets forth a breakdown of other receivables:

<i>In thousands of Euro</i>	As of December 31, 2019	As of December 31, 2018
V.A.T. receivables	7.402	12.392
Advance payments	1.302	1.088
Other receivables and indirect Tax receivables	4.988	4.101
<b>Total other receivables</b>	<b>13.692</b>	<b>17.581</b>

The V.A.T. receivables mainly refer to net VAT tax position of Zobeles México, S.A. de C.V, Zobeles Bulgaria Eood and Zobeles Holding S.p.A.. The Other indirect tax receivables mainly refer local other net tax balances held by Zobeles Instruments Co. Ltd. and Zobeles Do Brazil Ltd..

**3.12. Cash and cash equivalents**

**3.12.1. Reconciliation to cash flow statements**

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following at December 31, 2019 and 2018:

<i>In thousands of Euro</i>	As of December 31, 2019	As of December 31, 2018
Cash and Banks	18,216	23,516
Bank Overdrafts	(1,865)	(1,288)
<b>Cash and cash equivalent in the statement of financial position</b>	<b>16,351</b>	<b>22,228</b>

**3.12.2. Cash restrictions**

As at December 31, 2019 the Group had bank balances amounting to approximately € 913.5 thousand (2018, €2,975 thousand) which were deposits with banks in the People Republic of China and in Brazil. The remittance of such balances out of these countries are subject to rules and regulations of foreign exchange control imposed by the respective Governments.

**3.12.3. Cash and cash equivalents by currency**

The carrying amounts of the Group's cash and cash equivalents balances held in currencies other than Euro at December 31, 2019 and 2018 are reported in Note 5.2.3.

**NET EQUITY**

**3.13. Capital and reserves attributable to the owners of the company**

Movements in equity attributable to the owners of the company are reported in the Consolidated statement of changes in equity.

### **3.13.1. Share capital, share premium reserve and similar premiums.**

The total subscribed capital, amounting to €249,281,892.94 is represented by 24,928,189,294 ordinary shares with a nominal value of €0.01 fully paid.

### **3.13.2. Share premium reserve**

In September 2019, the Company fully repaid the contingent consideration for the acquisition of 50% of the shares of Z Alpha held by Enthopar S.à r.l. and TEC S.à r.l. corresponding to 9.89% of Z Alpha share capital, and 50% of the beneficiary certificates issued by Z Alpha and €15,555,000 for the consideration due in respect of the acquisition by the Company of the shares in DH Z S.à.r.l., PECs issued by Z Alpha S.A., and CPECs issued by DH Z S.à.r.l. from DHC Luxembourg IV S.à.r.l. by the way of funds provided by the sole shareholder as equity injection.

### **3.13.3. Currency Translation Reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into Euro.

The main currency translation effects are related to the following subsidiaries:

Entity	Country	Currency
Zobebe Mexico S.A. de C.V.	Mexico	USD
Industrial Support Team S.A. de C.V.	Mexico	PMX
Zobebe Instruments Co. Ltd.	China	USD
Zobebe Asia Pacific Ltd.	Hong Kong	USD
ZAE Plastic Metal Co. Ltd.	China	USD
ZAE Industrial Co. Ltd.	Hong Kong	USD
Zobebe do Brazil Ltd.	Brazil	BRS
Zobebe India Pvt. Ltd.	India	INR

As of December 31, 2019, the currency translation reserve was €5,176 thousand, an increase of €1,110 compared to 2018. Zobebe primarily attributes this increase to the translation foreign exchange effect due to the conversion of the subsidiaries' statement of financial position mainly denominated in USD.

### **3.14. Equity of Non-controlling Interests**

As of December 31, 2017 non-controlling interests included minority interests held in Z Alpha S.A. and in Z Beta S.à r.l.. The non-controlling interests of Z Alpha S.A. were mainly composed of Beneficiary Certificates (BCs). The BC instruments, considered under IFRS as Equity instruments, were non-voting and did not entitle the BC holders to any voting rights in Z Alpha S.A.

For each year where a BC was in issue in the subsidiary (and starting on the relevant Entitlement Date), such BC entitled the holder thereof at the time should a distribution on BCs have been declared by Z Alpha SA to an annual cumulative distribution right equal to BC Percentage (as defined in the articles of association of the subsidiary) (applied at the time of the declaration) on the BC Adjusted Value of such BC for the relevant year (the "BC Entitlement"). The BC Amount increased on each Adjustment Date of such BC by the amount of the cumulative distribution rights of such BC in respect of the previous years. These amounts were accumulated but were not declared and/or paid.

The BC Entitlement not declared and not paid accumulated -did not accrue and was not due unless a declaration of the same, which did not occur. The BC Entitlement arose from day to day and was calculated on the basis of a year of 365 days and determined pro tempore. If there had been a repurchase of BCs, each such BC was to be repurchased for an amount equal to any accumulated (and unpaid) BC Entitlement related thereto plus the BC Pro Rata Reserve (as defined in the articles of association of the subsidiary). There was no such repurchase.



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The rights of the BC holders with respect to each of their BCs were limited to the BC Entitlement and the BC Pro Rata Reserve of the relevant BCs.

During the period ended December 31, 2018, there was a Group reorganisation – See Note 2.2, which involved inter alia the Z Alpha Acquisition, BC Conversion, Roll Up and Merger.

- DHZ issued ordinary shares to Z Bidco and used the funds received to acquire 50% of the shares of the DHZ held by the minorities shareholders Enthopar and TEC, and 50% of the beneficiary certificates issued by the Company at fair market value (the “Z Alpha Acquisition”).
- The BC Conversion was also completed.

DHZ acquired the remaining shares in Z Alpha held by Enthopar, TEC and Z Men S.à r.l. (“Z Men”) in exchange for the issue of new shares by the Company 4 And in relation thereto, the Company entered into a sale, transfer and contribution agreement with Enthopar, TEC, Z Men and Z Alpha. With effect from the Effective Date of December 6, 2018, DHZ, and subsequently Z Alpha and Z Beta, were merged by cross-border absorption of wholly owned subsidiaries under the EU Cross Border Merger Directive, into Z Bidco. As a consequence of the merger, all assets and liabilities of the merged companies DHZ, Z Alpha and Z Beta passed to Z Bidco.

Following this transaction all the Group companies are fully owned by Treetop Zobebe Bidco Limited. apart from the associated company Coil Master SDN BHD.

Movements in equity attributable to Non-controlling interests are reported in the Consolidated statement of changes in shareholders’ equity.

**NON CURRENT LIABILITIES (FM)**

**3.15. Net Financial position**

The following table sets forth the net financial position of the Group as of December 31, 2019 and 2018:

<i>In thousands of Euros</i>		As of December 31, 2019	As of December 31, 2018 <sup>(1)</sup>
A.	Cash	18,216	23,516
B.	Cash equivalent	-	-
C.	Trading securities	-	-
<b>D.</b>	<b>Liquidity (A) + (B) + (C)</b>	<b>18,216</b>	<b>23,516</b>
E.	Current Financial Receivables	-	-
F.	Current Bank Debt	(8,126)	(7,018)
G.	Other Current Financial Liabilities	-	(18,138)
H.	Current Lease Liabilities	(3,281)	(3,404)
I.	Bank Overdrafts	(1,865)	(1,288)
<b>J.</b>	<b>Current financial debt (E) + (F) + (G) + (H) + (I)</b>	<b>(13,271)</b>	<b>(29,848)</b>
<b>K.</b>	<b>Net current financial indebtedness (D) + (E) + (J)</b>	<b>4,944</b>	<b>(6,332)</b>
L.	Non current Bank Loans	(153,003)	(159,125)
M.	Non current Lease Liabilities	(19,351)	(21,238)
N.	Senior Secured Notes	-	-
O.	Other non current loans	-	-
<b>P.</b>	<b>Non current financial indebtedness (L) + (M) + (N) + (O)</b>	<b>(172,354)</b>	<b>(180,363)</b>
<b>Q.</b>	<b>Net financial position (K) + (P)</b>	<b>(167,409)</b>	<b>(186,695)</b>

<sup>(1)</sup> The Group has initially applied IFRS15 and IFRS9 at 1 January 2018 and early adopted IFRS16 with initial application at 1 January 2018.

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The Group funding structure is represented by an amortizing debt of €35 million ("Term Loan A") due in 2022 and a €145 million term loan due in 2023 ("Term Loan B") obtained from a syndicate of banks in February 2017. The balances are held in the Consolidated Financial Statements at amortised cost. See Note 3.15.1 below for terms and conditions.

*Non-current and current lease liabilities* include the present value of the remaining lease payments under IFRS 16 as of December 31, 2019 and 2018 respectively.

*Other financial liabilities* as of December 31, 2018 represented:

- €2.6 million for contingent consideration for the acquisition of 50% of the shares of Z Alpha held by Enthopar S.à.r.l. and TEC S.à.r.l. corresponding to 9.89% of Z Alpha share capital, and 50% of the beneficiary certificates issued by Z Alpha;
- €15.5 million for contingent consideration due in respect of the acquisition by the Company of the shares in DH Z S.à.r.l., PECs issued by Z Alpha S.A., and CPECs issued by DH Z S.à.r.l. from DHC Luxembourg IV S.à.r.l. and

Payment of the consideration left outstanding for the acquisition of the Group occurred on September 16, 2019 with funds provided by the Shareholder in the form of an equity injection as Share Premium reserve.

The carrying amounts of the Group's financial liabilities denominated in currencies other than Euro at December 31, 2019 are detailed in Note 5.2.3.

### **3.15.1. Financial liabilities**

#### **Terms and repayment schedule**

The following table sets forth a breakdown of "Financial liabilities" as of December 31, 2019 and 2018 and their respective maturity profile:

In thousands of Euros	As of December 31, 2019			As of December 31, 2018		
	Total	Current	Non current	Total	Current	Non current
Bank Loans - Principal	161,127	8,125	153,003	166,125	7,000	159,125
Bank Loans - Interest and Commitment fees on bank loan	1	1	-	18	18	-
Senior Secured Notes	-	-	-	-	-	-
<b>Total long term loans</b>	<b>161,128</b>	<b>8,126</b>	<b>153,003</b>	<b>166,143</b>	<b>7,018</b>	<b>159,125</b>
Revolving credit facility	-	-	-	-	-	-
Leasing liabilities	22,632	3,281	19,351	24,642	3,404	21,238
Other Financing	1,865	1,865	-	19,427	19,427	-
<b>Total bank overdraft</b>	<b>24,497</b>	<b>5,146</b>	<b>19,351</b>	<b>44,069</b>	<b>22,831</b>	<b>21,238</b>
<b>Total financial liabilities</b>	<b>185,625</b>	<b>13,271</b>	<b>172,354</b>	<b>210,212</b>	<b>29,849</b>	<b>180,363</b>

#### **Senior Facility Agreements**

The Group funding structure is represented by an amortizing debt of €35 million ("Term Loan A") due in 2022 and a €145 million term loan due in 2023 ("Term Loan B") obtained from a syndicate of banks in February 2017. The balances are held in the Consolidated Financial Statements at amortised cost.

Each of Term Loan A and B ("Term Loans") bear interest at a variable annual rate equal to Euribor plus a margin that can vary in a range between 2.75% and 3.5% for Term Loan A and from 3.25% up to 4.0% for Term Loan B according to the senior leverage ratio of the Group measured at every quarter end.

The Term Loans were guaranteed on a senior basis by each of: Z Beta S.à.r.l., Z Gamma B.V., Zobeles International B.V., Zobeles España, S.A.U., Zobeles México, S.A. de C.V. and Zobeles Bulgaria EOOD and Zobeles Holding S.p.a. The obligations of the Group under the Term loans agreement are secured by the following collateral:

- Pledge granted by Z Alpha S.A. over the shares in Z Beta S.à.r.l.;
- Pledge granted by Zobebe International B.V. of shares and associated receivables of Zobebe Bulgaria Eood;
- Share charge granted by Z Gamma B.V. over shares in Zobebe Asia Pacific (Hong Kong) Limited;
- Pledge granted by Z Beta S.à.r.l. over the shares in Zobebe Holding S.p.A.;
- Special privilege granted by Zobebe Holding S.p.A over moveable assets of Zobebe Holding S.p.A.;
- Pledge granted by Zobebe Holding S.p.A over the quota in Palma Electronic S.R.L.;
- Pledge granted by Zobebe Holding S.p.A over the IP rights of Zobebe Holding S.p.A.;
- Pledge of material intercompany receivables owed to Zobebe Holding S.p.A.;
- Pledge over all except one of the shares issued by Zobebe Mexico S.A. de C.V.;
- Pledge of Intercompany Receivables owing to Z Gamma B.V. and Z International B.V.;
- Pledge over the shares of Zobebe International B.V.;
- Pledge over the shares of Z Gamma B.V.;
- Pledge over the shares of Zobebe España S.A.

Following the implementation of the Group Restructuring in 2018, in order to ensure that the Secured Parties continue to benefit from substantially equivalent guarantees and security over substantially equivalent assets and shares,

- Z Bidco, as the surviving entity following the various mergers assumed all of Z Beta's rights and obligations under the Term Loan Agreement by operation of law;
- Z Bidco provided pledges over (i) the shares in Z Gamma B.V and (ii) the shares in the Zobebe Holding S.p.A to replace the pledges previously given by Z Beta.;
- Z Midco, the immediate holding company of Z Bidco, provided a share charge over the shares in the Z Bidco.

To finance the needs of the general consolidated working capital and general corporate purposes of the Group, on the same date the Group also entered a multi- currency Revolving Credit Facility agreement for a total amount of €30 million maturing in 2022. This credit line has economic conditions in line with the Term loans conditions and is secured by substantially the same Collateral as the Term loans.

As of December 31, 2019, the Revolving Credit Facility was completely undrawn.

#### Covenants

The Term Loan agreement includes certain financial covenants based on EBITDA, total net debt, and leverage ratio and cash flow which are required to be tested semi-annually on a rolling 12 months basis, with the first test date being 31 December 2017.

Based on the results of these Consolidated Financial Statements for the year ended December 31, 2019, these covenants are met and therefore the Group is in compliance with all obligations contained in the Term Loan agreement for the year ended December 31, 2019.

#### **3.15.2. Financial liabilities – reconciliation of liabilities to cash flows arising from financing activities**

The table below details changes in the Group's financial liabilities arising from Financing activities, including both cash and non-cash changes. Liabilities from financing activities are those whose cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

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In thousands of Euros	Assets			Liabilities						Total liabilities	Total NFP
	Cash	Bank overdraft	Total assets	Bank Loan		Leasing liabilities		Other Financial Liabilities			
				Current	Non current	Current	Non current	Current	Non current		
Balance at 1, January 2019	23,516	(1,288)	22,228	(7,018)	(159,131)	(3,404)	(21,238)	(18,132)	-	(208,924)	(186,695)
Net increase/(decrease) of cash and cash equivalent	(5,415)	(577)	(5,992)	-	-	-	-	-	-	-	(5,992)
Proceeds from bank loans and borrowings	-	-	-	(124)	(491)	-	-	-	-	(615)	(615)
Repayment of Senior secured notes	-	-	-	-	-	-	-	-	-	-	-
Repayment of bank loans and borrowings	-	-	-	7,000	-	-	-	-	-	7,000	7,000
Repayment of Leasing liabilities	-	-	-	-	-	3,675	-	-	-	3,675	3,675
Bank loans - transaction costs paid	-	-	-	-	-	-	-	-	-	-	-
Interest paid	-	976	976	6,669	-	1,503	-	2,263	-	10,435	11,411
Total changes from financing cash flows	(5,415)	399	(5,016)	13,545	(491)	5,178	-	2,263	-	20,496	15,480
Change in FX rate	115	-	115	-	-	-	-	8	-	8	123
Total effect of changes in FX rates	115	-	115	-	-	-	-	8	-	8	123
Change in Fvs	-	-	-	-	-	-	-	-	-	-	-
Total Changes in fair value	-	-	-	-	-	-	-	-	-	-	-
Proceeds from issue of Share Capital	-	-	-	-	-	-	-	18,133	-	18,133	18,133
Acquisition of NCI	-	-	-	-	-	-	-	-	-	-	-
Acquisition of own shares	-	-	-	-	-	-	-	-	-	-	-
Total Changes in Equity	-	-	-	-	-	-	-	18,133	-	18,133	18,133
Interest costs	-	(976)	(976)	(6,653)	(1,381)	(1,503)	-	(2,272)	-	(11,809)	(12,785)
Bank loans - reclass	-	-	-	(8,000)	8,000	-	-	-	-	-	-
Interest costs - reclass	-	-	-	-	-	-	-	-	-	-	-
New lease liabilities	-	-	-	-	-	-	(1,665)	-	-	(1,665)	(1,665)
Leasing - reclass	-	-	-	-	-	(3,552)	3,552	-	-	-	-
Bank loans - capitalized transaction costs	-	-	-	-	-	-	-	-	-	-	-
Senior secured notes - capitalized transaction costs write off	-	-	-	-	-	-	-	-	-	-	-
Total Other non - cash changes	-	(976)	(976)	(14,653)	6,619	(5,055)	1,887	(2,272)	-	(13,474)	(14,450)
Balance as of December 31, 2019	18,216	(1,865)	16,351	(8,126)	(153,003)	(3,281)	(19,351)	-	-	(183,761)	(167,409)

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**3.16. Shareholders Loan**

Shareholders loan refers to the Preferred Equity Certificate (PECs) issued by Z Alpha S.A. (which has now merged into Z Bidco) and to yield interests on CPECs issued by DH Z S.à r.l.

Following the Group's reorganization, the Shareholders Loan was waived and converted into Equity. Movements in the "Shareholders Loan" were as follows:

<i>In thousands of Euros</i>	<i>CPECs</i>	<i>PECs</i>	<i>As of December</i>
<b>December 31, 2017</b>	<b>1,844</b>	<b>247,177</b>	<b>249,021</b>
Waiver and Equity Increase	(1,962)	(263,866)	(265,828)
Accrued interest	118	16,689	16,807
<b>December 31, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
Waiver and Equity Increase	-	-	-
Accrued interest	-	-	-
<b>December 31, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>

**3.17. Employee Termination benefits**

The Group operates Defined benefit pension plans in Italy, Mexico, India and Bulgaria under different regulatory frameworks. Almost all of the plans are final salary pension plans, which provide post-employment benefits to members in the form of a guaranteed level of pension payable. Post-employment benefits are cumulative remunerations giving place to future benefits for employees, offered by the company in exchange of current employee's services, whose right is granted to the employee during its working relationship and is acquired by the employee and/or beneficiaries at retirement from the entity and/or upon reaching the retirement age or another eligibility condition. The level of benefits provided depends on members' length of service and their salary at the time of the termination of the labour contract in the final years leading up to retirement.

The following table sets forth the movements in employee termination benefits in the years ended December, 31:

<i>In thousands of Euro</i>	<i>As of December</i>
<b>December 31, 2017</b>	<b>2,458</b>
Cost of services provided	129
Actuarial (gain) / loss 2018	20
Utilisation for employee terminations	(105)
<b>December 31, 2018</b>	<b>2,502</b>
Cost of services provided	224
Actuarial (gain) / loss 2019	261
Utilisation for employee terminations	(257)
<b>December 31, 2019</b>	<b>2,730</b>

The range of main actuarial assumptions used were the following:

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	As of December 31, 2019	As of December 31, 2018
Discount rate	1.10% - 9.20%	1.10% - 9.20%
Long term inflation rate	1.00% - 5.50%	1.00% - 4.00%
Rate of increase in wages and salaries	2.25% - 7.00%	2.50% - 7.00%

Assumptions regarding disability, longevity and retirement of employees have been based on published statistics and mortality tables that differ from country to country.

### **CURRENT LIABILITIES**

#### **3.18. Commercial Payables**

The following table sets forth a breakdown of commercial payables by entity as of December 31, 2019 and 2018:

<i>In thousands of Euro</i>	As of December 31, 2019	As of December 31, 2018
Zobeles Mexico S.A de C.V.	26,867	24,386
Zobeles Asia Pacific Ltd.	10,131	13,820
Zobeles Holding S.p.A	16,263	13,323
Zobeles Espana S.A.	264	186
Zobeles Bulgaria Food	10,231	7,808
Palma Electronic S.r.l.	5	6
Zobeles India Pvt. Ltd	4,066	2,327
Zobeles International B.V	17	13
Z Gamma B.V	5	7
Zobeles do Brazil Ltd	733	807
Zobeles Usa Inc.	3,785	3,116
Zobeles Instruments Co. Ltd.	16,027	17,793
ZAE Plastic Metal Co. Ltd.	584	946
ZAE Industrial Co. Ltd.	-	2
Industrial Support Team S.A. de C.V.	440	248
Treetop Zobeles Bidco Ltd.	4,872	258
<b>Total commercial external payables</b>	<b>94,290</b>	<b>85,046</b>

The Group does not have a significant concentration of commercial payables with one or more suppliers.

#### **3.19. Other Payables**

The following table sets forth a breakdown of other payables as of December 31, 2019 and 2018:

<i>In thousands of Euro</i>	As of December 31, 2019	As of December 31, 2018 Restated
V.A.T.	634	4,696
Payroll payable	7,196	5,674
Payables social security institutes	2,260	1,141
Payables to customers	11	359
Deferred Revenue	21,210	9,323
Other	2,047	1,621
<b>Total other payables</b>	<b>33,358</b>	<b>22,814</b>

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Contributions from customers to support the setting up and maintenance of certain equipment or production lines to be used for providing the customer with finished goods classified in previous year among the Trade receivables have been reclassified to Other payables to more appropriately represent the nature of these balances. There was no impact on the opening balance at 1 January 2018. Following the above, the cash flow statement has also been restated to reflect the impact of this item on receivables and working capital movements.

#### **4) INCOME STATEMENT**

##### **4.1. Net Sales**

The following table provides a breakdown of "Net sales" by category and geographic area for the periods ended December 31, 2019 and 2018:

<i>In millions of Euros</i>	Year Ended December 31,		
	2019	2018 <sup>(1)</sup>	% Change
<b>Net Sales by Product Category</b>			
Air Care	279.7	232.3	20.4%
Insecticide	88.5	82.2	7.7%
Home, Health and Personal Care <sup>(2)</sup>	47.3	28.7	64.8%
<b>Total net sales</b>	<b>415.5</b>	<b>343.2</b>	<b>21.1%</b>

<i>In millions of Euros</i>	Year Ended December 31,		
	2019	2018 <sup>(1)</sup>	% Change
<b>Net Sales by Geographic area</b>			
Europe	133.6	145.0	(7.9%)
North America	210.3	136.1	54.5%
South America	11.9	16.1	(26.1%)
Africa-Middle East	8.6	7.8	10.3%
Asia Pacific	51.1	38.2	33.8%
<b>Total net sales</b>	<b>415.5</b>	<b>343.2</b>	<b>21.1%</b>

(1) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

(2) Predominantly represents sales of our Home, Health and Personal Care Products, although also contains sales of product components for all categories.

See the Strategic Report for the analysis of Sales.

##### **4.2. Cost of Sales**

The following table sets forth a breakdown of cost of sales for the periods ended December 31, 2019 and 2018:

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<i>In thousands of Euros</i>	As of December 31, 2019	As of <sup>(1)</sup> December 31, 2018
Materials	243,940	200,658
Direct Labor Cost	39,053	33,983
Subcontractor	5,480	5,187
Power	4,368	3,608
Indirect Manufacturing	10,163	8,032
Maintenance	7,927	5,331
Logistic and Purchases	12,281	9,852
Quality Control	2,498	1,593
Commissions	-	51
<b>Total Cost of Sales</b>	<b>325,710</b>	<b>268,295</b>

(1) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

#### **4.3. Overheads**

The following table sets forth a breakdown of overheads for the periods ended December 31, 2019 and 2018:

<i>In thousands of Euro</i>	As of December 31, 2019	As of <sup>(1)</sup> December 31, 2018
General and Administration	18,295	16,709
Sales & Marketing	5,009	4,219
R&D	5,390	3,883
Operation	1,018	1,074
Other (income)/expenses	95	7
<b>Total Overheads</b>	<b>29,807</b>	<b>25,893</b>

(1) The Group has initially applied IFRS 15 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

R&D costs represent the amount of research costs incurred as of December 31, 2019 not eligible for capitalization. In line with IAS 38, Development costs of €3.9 million were capitalized as of December 31, 2019 (€3.7 million as of December 31, 2018).

#### **Personnel Costs**

The following table sets forth a breakdown of personnel costs for the periods ended December 31, 2019 and 2018:

<i>In thousands of Euro</i>	As of December 31, 2019	As of <sup>(1)</sup> December 31, 2018
Wages and Salaries	59,712	49,749
Social Charges	10,894	8,703
Employee termination indemnity and pension fund accruals	1,089	1,083
Other costs	3,350	972
<b>Total Personnel Costs</b>	<b>75,045</b>	<b>60,507</b>



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(1) The Group has initially applied IFRS 15 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

The personnel costs are recorded in the Income Statement as follows:

<i>In thousands of Euro</i>	As of December 31, 2019	As of <sup>(1)</sup> December 31, 2018
Cost of Sales	54,116	43,487
Overheads	20,929	17,021
<b>Total Personnel Costs</b>	<b>75,045</b>	<b>60,507</b>

(1) The Group has initially applied IFRS 15 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

The following table sets forth the average number of staff employed during the financial year for all the companies included, broken down by categories:

	Year ended December 31, 2019	Year ended December 31, 2018
<b>Employees average number</b>		
Direct Workers	2,994	2,875
Indirect Workers	351	333
Staff	461	450
Managers and Directors	131	123
<b>Total</b>	<b>3,937</b>	<b>3,781</b>

#### **4.4. Other (Income)/Expenses**

The following table sets forth a breakdown of other income and expenses for the periods ended December 31, 2019 and 2018:

<i>In thousands of Euro</i>	As of December 31, 2019	As of <sup>(1)</sup> December 31, 2018
Other income	(5,550)	(4,349)
Other expenses	3,033	2,388
Exchange Rate Gains	(2,226)	(3,855)
Exchange Rate Losses	2,414	2,794
<b>Total Other (Income)/Expense</b>	<b>(2,329)</b>	<b>(3,022)</b>

(1) The Group has initially applied IFRS 15 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

Other Income mainly includes recharge of samples, gains on disposal of fixed assets and grants from customers. Other expenses represent losses on the disposal of fixed assets, write-offs of scrap materials, project cancellations and reworkings, and other miscellaneous costs.

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Exchange Gains/(losses) reflected both exchange differences realized in the period on transactions in currencies different than euro, and the effect of translating receivables and payables in a currency different to the reporting currency at the year-end exchange rate.

**4.5. Cost/(Income) from non recurring transactions**

The following table sets forth a breakdown of “Non recurring transactions” for the twelve months ended December 31, 2019 and 2018:

<i>In thousands of Euros</i>	As of December 31, 2019	As of <sup>(1)</sup> December 31, 2018
Restructuring personnel severance	383	346
New USA Plant set up costs	-	2,957
One-off project costs	1,459	504
Group Sale transaction costs	4,686	-
Restructuring costs of DH Fund IV shareholding structure	-	4,642
CLP/Biocides compliance costs and fees	181	313
<b>Total Non recurring (Income)/Cost</b>	<b>6,709</b>	<b>8,761</b>

(1) The Group has initially applied IFRS 15 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

Non-Recurring Costs in 2019 were €6.7 million compared to €8.8 million in 2018. The 2019 costs are mainly related to transaction costs connected to the Group’s sale process launched in the year and other costs connected to the Group’s centenary and certain one-off project costs. Costs incurred in 2018 were related to the start-up of operations in Dallas, USA plus certain one-off costs connected with the Group reorganization and restructuring that took place in 2018.

**4.6. Financial (Income)/Expenses**

The following table sets forth a breakdown of financial income and expense for the twelve months ended December 31, 2019 and 2018:

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<i>In thousands of Euros</i>	As of December 31, 2019	As of <sup>(1)</sup> December 31, 2018
Interest Income	80	28
Other financial income	2	3
<b>Total financial income</b>	<b>82</b>	<b>31</b>
Interest expenses - Bank Overdraft	(976)	(189)
Interest expenses - Long Term Loan	(7,822)	(7,738)
Interest expenses - Shareholders Loan	-	(16,803)
Interest expenses on other	(2,866)	(2,069)
Interest expenses on leasing	(1,503)	(1,491)
<b>Total financial expenses</b>	<b>(13,167)</b>	<b>(28,290)</b>
Exchange Gain/(Losses) on Financial Activities	(1,027)	(1,819)
<b>Total financial Income/(Expenses)</b>	<b>(14,112)</b>	<b>(30,078)</b>
<i>In thousands of Euros</i>	As of December 31, 2019	As of <sup>(1)</sup> December 31, 2018
Interest Income	81	28
Other financial income	2	3
<b>Total financial income</b>	<b>82</b>	<b>31</b>
Interest expenses - Bank Overdraft	(976)	(189)
Interest expenses - Long Term Loan	(7,822)	(7,738)
Interest expenses - Shareholders Loan	-	(16,803)
Interest expenses on other	(2,866)	(2,069)
Interest expenses on leasing	(1,503)	(1,491)
<b>Total financial expenses</b>	<b>(13,167)</b>	<b>(28,290)</b>
Exchange Gain/(Losses) on Financial Activities	(1,027)	(1,819)
<b>Total financial Income/(Expenses)</b>	<b>(14,112)</b>	<b>(30,078)</b>

(1) The Group has initially applied IFRS 15 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

#### **4.7. Income Taxes**

##### **4.7.1 Amounts recognised in Income Statement**

The following table sets forth a breakdown of income tax expenses for the period ended December 31, 2019 and 2018:

<i>In thousands of Euro</i>	Year ended December 31,	
	2019	2018 <sup>(1)</sup>
Income taxes	9,587	6,143
Deferred taxes variance	(3,521)	(1,353)
<b>Total income taxes</b>	<b>6,066</b>	<b>4,790</b>

(1) The Group has initially applied IFRS 15 at 1 January 2018 and early adopted IFRS 16 with initial application at 1 January 2018.

##### **4.7.2 Amounts recognised in Other Comprehensive Income and directly in Equity**

Current and deferred income taxes recognized in OCI and directly in Equity details are shown in Note 3.6.

##### **4.7.3 Reconciliation of effective tax rate**

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The reconciliation between the theoretical tax charge and that shown in the income statement is as follows:

<i>In thousands of Euro</i>	As of December 31, 2019		As of December 31, 2018	
Consolidated profit before taxes	11,109		(11,830)	
Current income taxes Corporate domestic tax rate	2,111	19.0%	(2,248)	19.0%
Permanent differences in tax calculation	74		30	
Effect of tax rate in foreign jurisdictions	3,881		7,007	
<b>Actual tax charge in the profit and loss account</b>	<b>6,066</b>		<b>4,790</b>	

#### 4.7.4 Unrecognised Tax Losses

Deferred tax assets have not been recognised in respect of the following operating tax losses, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

<i>In thousands of Euro</i>	As of December 31, 2019	As of December 31, 2018
Unused tax losses for which no deferred tax asset has been recognised	29,067	33,949
Unrecognised deferred tax assets	7,595	8,888

## 5) FINANCIAL RISK MANAGEMENT

As displayed in the table below financial instruments can be analyzed based on the method of valuation and exposure to risk.

**5.1. Financial instruments: fair values**

The following table sets forth a breakdown of the carrying amount and fair values of Group's financial assets and liabilities including their levels of fair value and hierarchy at December 31, 2019 and 2018:

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Carrying Amount				Fair value		
In thousands of Euro	Total	Financial Instruments at		Level 1	Level 2	Level 3 (*)
	As of December 31, 2019	FVTPL	Amortized Costs			
<b>Financial Assets Measured at Fair Value</b>	-	-	-	-	-	-
Other Non Current Assets	1,114	-	1,114	-	-	-
Commercial External Receivables	55,518	-	55,518	-	-	-
Income Tax Receivables	6,365	-	6,365	-	-	-
Other Receivables	13,692	-	13,692	-	-	-
Cash and Banks	18,216	-	18,216	-	-	-
<b>Financial Assets Not Measured at Fair Value</b>	<b>94,905</b>	-	<b>94,905</b>	-	-	-
<b>Other Current Liabilities</b>	-	-	-	-	-	-
<b>Financial Liabilities Measured at Fair Value</b>	-	-	-	-	-	-
Long term loans	153,003	-	153,003	-	168,168	-
Non Current Lease Liabilities	19,351	-	19,351	-	24,724	-
Other Non Current Liabilities	2,730	-	2,730	-	-	-
Commercial External Payables	94,290	-	94,290	-	-	-
Income Tax Payables	5,924	-	5,924	-	-	-
Other Payables	33,358	-	33,358	-	-	-
Current Lease Liabilities	3,281	-	3,281	-	4,586	-
Other Current Liabilities	-	-	-	-	-	-
Current Portion on Loans	8,125	-	8,125	-	14,177	-
Bank Overdraft	1,865	-	1,865	-	-	-
<b>Financial Liabilities Not Measured at Fair Value</b>	<b>321,927</b>	-	<b>321,927</b>	-	<b>211,654</b>	-

(\*) The IFRS reporting framework foresees that the repayment value of the debts at their maturity date need to be disclosed, including interest accrual and capitalisation until the repayment date set by the contract without any discount. As a consequence with 49 years maturity of the shareholders loans ("Loan") the amount to be disclosed looks non realistic as the loan will be repaid in case of exit as usually done in the Private Equity Industry.

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Carrying Amount				Fair value		
In thousands of Euro	Total	Financial Instruments at		Level 1	Level 2	Level 3 (*)
	As of December	FVTPL				
	31, 2018 Restated		Amortized Costs			
<b>Financial Assets Measured at Fair Value</b>	-	-	-	-	-	-
Other Non Current Assets	1,235	-	1,235	-	-	-
Commercial External Receivables	46,447	-	46,447	-	-	-
Income Tax Receivables	5,272	-	5,272	-	-	-
Other Receivables	17,581	-	17,581	-	-	-
Cash and Banks	23,516	-	23,516	-	-	-
<b>Financial Assets Not Measured at Fair Value</b>	<b>94,051</b>	-	<b>94,051</b>	-	-	-
<b>Other Current Liabilities</b>	<b>18,138</b>	<b>18,138</b>	-	-	-	-
<b>Financial Liabilities Measured at Fair Value</b>	<b>18,138</b>	<b>18,138</b>	-	-	-	-
Long term loans and Leasing	159,125	-	159,125	-	181,598	-
Non Current Lease Liabilities	21,238	-	21,238	-	28,622	-
Other Non Current Liabilities	2,502	-	2,502	-	-	-
Commercial External Payables	85,046	-	85,046	-	-	-
Income Tax Payables	3,260	-	3,260	-	-	-
Other Payables	22,814	-	22,814	-	-	-
Current Lease Liabilities	3,404	-	3,404	-	-	-
Other Current Liabilities	-	-	-	-	4,719	-
Current Portion on Loans	7,018	-	7,018	-	13,236	-
Bank Overdraft	1,288	-	1,288	-	-	-
<b>Financial Liabilities Not Measured at Fair Value</b>	<b>305,695</b>	-	<b>305,695</b>	-	<b>228,175</b>	-

(\*) The IFRS reporting framework foresees that the repayment value of the debts at their maturity date need to be disclosed, including interest accrual and capitalisation until the repayment date set by the contract without any discount. As a consequence with 49 years maturity of the shareholders loans ("Loan") the amount to be disclosed looks non realistic as the loan will be repaid in case of exit as usually done in the Private Equity Industry.

## **5.2. Financial Risks framework**

The Group maintains a policy of minimizing financial risks that could have an impact on the financial situation and cash flows of the Group.

These risks are as follows:

- credit risk
- liquidity risk
- market risk (foreign exchange risk, interest rate risk, commodity price risk, other prices risk)

The responsibility for the creation and supervision of a managerial system of financial risks of the Group is the responsibility of the Board of Directors. The formalization of this policy is ongoing, although procedures are already in place to identify, evaluate and monitor the exposures of the Group.

### **5.2.1 Credit risk**

Credit risk is linked to a possibility of loss for the Group following a no payment of an obligation from third parties.

For the Group this risk is mainly related to the risk of default by one of its customers.

The business strategies to manage this risk are:

- Regarding the cash at disposal, the Group chooses to work with primary national and international banks.
- Regarding trade receivables, the Group works mainly with investment grade rated customers. For customers to which the Group has agreed specific payment terms and the delivery of products is concentrated in a short time, it is normal to request a guarantee from banks or from its parent company.
- To better manage credit and liquidity risk, from 2010 the Group has entered into a without-recourse factoring agreements for some of the main investment grade rated customers.

For the Group to consider a customer to be investment grade, it must have a minimum rating of BBB-. The Group regularly monitors the ratings of its customers and in the event of any downgrade credit terms are agreed with the customer.

### **Impairment loss on Commercial Receivables**

Commercial external receivables are recorded net of a provision for doubtful receivables. The Group did not consider it necessary to impair any other financial assets or receivables. The Group's maximum exposure to credit risk is the carrying value of the related financial asset.

Relating to the impairment of the financial assets, the Group estimated the doubtful debt provision in accordance with the simplified method under IFRS 9, through the construction of a "provision matrix" based on the estimate of the loss rate calculated on an historical basis and broken down by amounts overdue by period, applied over the expected life of the receivable and any additional amounts with reference to significant information on future scenarios (economic changes, changes in technological developments, etc.).

The following table sets forth a breakdown of the impairment losses on the Group's commercial receivables.



**Treetop Zobeles Bidco Limited**  
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<i>In thousands of Euro</i>	Total	Overdue written down	Overdue not written down	Not overdue not written down
Gross commercial receivables	50,028	3,581	4,640	41,807
Bad debt provision	(3,581)	(3,581)	-	-
<b>Total as of December 31, 2018</b>	<b>46,447</b>	<b>-</b>	<b>4,640</b>	<b>41,807</b>
Gross commercial receivables	59,847	4,329	6,710	48,808
Bad debt provision	(4,329)	(4,329)	0	0
<b>Total as of December 31, 2019</b>	<b>55,518</b>	<b>-</b>	<b>6,710</b>	<b>48,808</b>

Ageing of Commercial Receivables

The table below shows the ageing of Commercial Receivables and related bad debt provisions:

<i>In thousands of Euro</i>	As of December 31, 2019	As of December 31, 2018
Current	48,808	41,808
Overdue from 0 to 30 days	4,805	1,931
Overdue from 31 to 60 days	802	1,091
Overdue from 61 to 90 days	293	579
Overdue from 91 to 180 days	506	416
Overdue more than 181 days	4,633	4,203
Bad debt provision	(4,329)	(3,581)
<b>Total Commercial Receivables</b>	<b>55,518</b>	<b>46,447</b>

As of December 31, 2019, the Group had used without-recourse factoring facilities for a total amount of €79,798 thousand, recognized according to IFRS 9 (€59,794 thousand as of December 31, 2018).

As of December 31, 2019, approximately 83% of the Group's trade receivables were with investment grade rated customers. (78% as of December 31, 2018).

**5.2.2 Liquidity risk**

This risk, also called funding risk, is linked to the possibility of the Group having difficulty in obtaining funds in order to be able to meet its obligations.

The Group monitors its funding requirements, also considering the business plan projections.

As described in Note 3.16, on February 2, 2017 the Group through its Italian subsidiary, Zobeles Holding S.p.A. concluded the refinancing process pursuing the double objectives of benefiting from favourable capital market conditions and adequately financing the needs of consolidated working capital.

The bond repayment was realized with new amortized debt of €35 million ("Term Loan A") due in 2022 and a €145 million term loan due in 2023 ("Term Loan B") obtained from a syndicate of banks.

In addition, the Group has a Revolving Credit facility of €30 million, completely undrawn as at December 31, 2019.

The Group also entered into without-recourse factoring agreements for some of the main investment grade rated customers.

The financing structure is considered to be sufficient for the Group requirements.

Financial liabilities

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The following table sets forth the gross contractual cash flows, gross and undiscounted, including interest and instalments payments of the Group's financial liabilities at the reporting date.

<i>In thousands of Euros</i>	<i>As of December 31, 2019</i>				
<i>Carrying amount</i>	<i>Total estimated Out flows</i>	<i>Long Term more than 5 years</i>	<i>Medium Term 1 - 5 years</i>	<i>Short Term less than 1 year</i>	
Bank Loans	161,128	182,345	-	168,168	14,177
Senior Secured Notes	-	-	-	-	-
<b>Total long term loans</b>	<b>161,128</b>	<b>182,345</b>	<b>-</b>	<b>168,168</b>	<b>14,177</b>
Revolving credit facility	-	-	-	-	-
Leasing liabilities	22,632	29,310	8,834	15,890	4,586
Other Financing	1,865	1,865	-	-	1,865
<b>Total bank overdraft</b>	<b>24,497</b>	<b>31,175</b>	<b>8,834</b>	<b>15,890</b>	<b>6,451</b>
<b>Total financial liabilities</b>	<b>185,625</b>	<b>213,520</b>	<b>8,834</b>	<b>184,058</b>	<b>20,628</b>

The interest payments on variable interest rates on Bank loans and leasing agreements, in the table above, reflect current contractual interest rates. The future cash flows may be different from the amounts in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency could change.

For the details of the guarantees above please refer to Note 3.15.1 above.

The Group has not defaulted on the interest or capital payments of its financial liabilities.

### **5.2.3 Market risk**

#### Exposure to currency exchange risk.

The Group is exposed to foreign exchange risk, arising from the potential variation in the value of a financial instrument resulting from fluctuations in the exchange value of foreign currencies.

The main currencies of the Group are Euro and US Dollars. The Group has a minor portion of revenues in Canadian Dollars, British Pounds, Chinese Yuan, Mexican Pesos, Bulgarian Leva and Australian Dollars. Most of the sales by the Chinese and Mexican Subsidiaries are in US Dollars. The Asian and Mexican subsidiaries also pay the majority of their material purchases in US Dollars. As a result, sales in US Dollars are to a large extent offset by US Dollar expenses, therefore the Group considers that for non-EU entities this is a natural hedge of net sales and expenses. The other subsidiaries' sales are mostly in Euro, with the largest part of costs in Euro or Euro pegged currencies.

On a consolidated basis the Group's transactional foreign exchange risk is low, primarily as a result of the natural hedge of our foreign currency operating income and expenses. Transactional foreign exchange risk arises when our Group entities execute transactions in currencies other than their functional currency. The Group has trade payables and receivables which are denominated in foreign currencies and any significant change in exchange rates could expose us to exchange rates gains and losses.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at December 31, 2019 is as follows:

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<i>In thousands of Euro</i>			
	Amounts in local currency	Exchange rate at year end	Amounts in Euro
Euro	(159,054)	1.0000	(159,054)
US Dollar	(35,351)	1.1234	(31,467)
Mexican Peso	(84,143)	21.1751	(3,974)
Brasilian Real	25,802	4.5298	5,696
Hong Kong Dollar	(14,673)	8.7473	(1,677)
Reminbi	(135,974)	7.8205	(17,388)
Indian Rupia	(421,562)	80.1870	(5,257)
Bulgarian Leva	(14,792)	1.9558	(7,563)
Pound	(220)	0.8508	(259)
AUD	2	1.5995	2
SGD Dollar	9	1.5111	6
CHF	(155)	1.0854	(143)
Japanese yen	(234)	121.9000	(2)
<b>Total exposure as of December 31, 2019</b>			<b>(221,080)</b>
Euro	(179,490)	1.0000	(179,490)
US Dollar	(21,043)	1.1450	(18,378)
Mexican Peso	(121,563)	22.4643	(5,411)
Brasilian Real	29,662	4.4383	6,683
Hong Kong Dollar	1,441	8.9675	161
Reminbi	(156,630)	7.8751	(19,891)
Indian Rupia	(368,577)	79.7298	(4,623)
Bulgarian Leva	(15,109)	1.9558	(7,725)
Pound	104	0.8945	116
SGD Dollar	13	1.5591	8
CHF	(26)	1.9558	(13)
Australian Dollar (AUD)	72	1.6220	45
<b>Total exposure as of December 31, 2018</b>			<b>(228,518)</b>

The Group's exposure to currency risks by financial assets and liabilities categories was the following:

<i>In thousands</i>	As of December 31, 2019				As of December 31, 2018			
	EUR	USD	MXN	CNY	EUR	USD	MXN	CNY
Cash and Bank	4,710	12,732	9,035	4,758	7,244	13,726	13,903	12,689
Commercial receivables and other assets	28,843	11,595	97,535	17,230	23,406	23,555	50,364	11,702
Commercial payables and other liabilities	30,547	43,853	190,290	146,521	24,916	41,562	185,830	158,348
Financial Liabilities	160,514	-	-	-	184,280	-	-	-
Financial Lease Liabilities	1,547	15,824	418	11,441	944	16,762	-	22,672

**Sensitivity analysis on currency risk**

The following table details the Group's sensitivity to a possible 10% increase and decrease in the Euro against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

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<i>In thousands of Euro</i>	Euro with exchange rate + 10%	Potential impact of exchange rate	Euro with exchange rate - 10%	Potential impact of exchange rate
Euro	-	-	-	-
US Dollar	(28,895)	2,571	(34,542)	(3,072)
Mexican Peso	(3,955)	19	(3,993)	(19)
Brasilian Real	5,573	(123)	5,825	129
Hong Kong Dollar	(1,658)	19	(1,697)	(19)
Reminbi	(17,167)	220	(17,612)	(225)
Indian Rupia	(5,251)	7	(5,264)	(7)
Bulgarian Leva	(7,195)	368	(7,970)	(408)
Pound	(232)	27	(294)	(35)
AUD	1	-	2	-
SGD Dollar	6	-	6	-
CHF	(131)	12	(157)	(15)
Australian Dollar (AUD)	1	-	2	-
Japanese yen	(2)	-	(2)	-
<b>Total currency rate risk as of 31, December 2019</b>		<b>3,120</b>		<b>(3,671)</b>
Euro	-	-	-	-
US Dollar	(16,902)	1,474	(20,137)	(1,758)
Mexican Peso	(5,387)	24	(5,436)	(24)
Brasilian Real	6,536	(147)	6,837	154
Hong Kong Dollar	159	(2)	162	2
Reminbi	(19,640)	249	(20,145)	(256)
Indian Rupia	(4,617)	6	(4,629)	(6)
Bulgarian Leva	(7,350)	376	(8,142)	(416)
Pound	104	(12)	131	15
AUD	42	(3)	48	3
SGD Dollar	8	(0)	9	1
CHF	(13)	1	(14)	(1)
<b>Total currency rate risk as of 31, December 2018</b>		<b>1,966</b>		<b>(2,286)</b>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period doesn't reflect the average exposure across the year.

Given that the Group prepares the consolidated balance sheet in Euro there is a translation foreign exchange risk linked to the conversion of the subsidiary Balance Sheets denominated in non-Euro currencies. This risk is not hedged.

#### Interest rate risk

Interest rate risk is linked to the possibility that a financial instrument and/or the resulting financial flows might incur a variation in value due to fluctuation of interest rates in the money market.

The Group is exposed to interest rate risk because the Group borrows long-term funds at floating rate. The borrowings are contractually repriced on a quarterly basis and to that extent are also exposure to the risk of future changes in market interest rate. See Note 3.16.1 for details on Group financial liabilities structure.

#### Sensitivity analysis on interest rate risk

Consolidated Income Statement is sensitive to higher/lower interest costs as a result of changes in interest rates on floating financial instruments. The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the date of reporting period was outstanding for the whole year.

At December 31, 2019, if interest rates on variable rate borrowings (bank loan) had been +/- 1% with all other variables held constant, post tax profit for the year would deferred +/- € 1,254 thousand.

#### Commodity price risk

The Group is exposed to a change in purchase cost of materials as a result of a change in prices in the commodities markets.

The main materials linked to commodity prices that the Group purchases are polypropylene and copper. The prices of these two commodities can be very volatile, and for this reason the Group has a policy in

place to fix the purchase prices with the suppliers of polypropylene and copper for a period of time, usually between one and three months.

At the end of every year, the procurement division of the Group fixes the prices with the Group's suppliers and, depending on the contractual arrangements with a given customer, any cost variation may be shared with such customer.

Other prices risk

The risk is linked to a variation in the price of listed equity or debt instruments. The Group does not have any investments in listed equity or debt and therefore is not exposed to such risk.

**6) DISCONTINUED OPERATIONS, BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS OCCURRING DURING THE PERIOD**

**6.1. Discontinued operations and business combination**

During the year ended December 31, 2019, the Group didn't change its composition apart from acquisition of non-controlling interests held in the merged company Z Alpha S.A. described in Note 6.2 below and the reorganization described in Note 2.2 above. No other changes were made, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructuring and discontinued operations and acquisition of non-controlling interests.

**6.2. Acquisition of non-controlling interests**

**6.2.1. Acquisition of 24.42% of Z Alpha S.A.**

*Consideration transferred*

On April 18, 2018, DHZ issued ordinary shares to Z Bidco by way of authorized share capital for up to 35 million Euros and used the funds received to acquire 50% of the shares of DHZ held by the minority shareholders Enthopar and TEC corresponding to 9.89% of Z Alpha share capital, and 50% of the beneficiary certificates issued by Z Alpha at fair market value.

The following table summarizes the acquisition-date fair value of consideration transferred net of contingent consideration of €2.576 million:

<i>In thousands of Euro</i>	
Cash	31,773
<b>Total consideration</b>	<b>31,773</b>

The purchase price was paid in cash on September 19, 2018.

The remaining investment in the minorities held in Z Alpha was rolled-up to Z Midco Limited, Z Bidco's sole shareholder (the "Roll-up"). The Roll-up included the following steps:

- DHZ acquired the remaining 50% (following the Zobebe SPA) of shares in Z Alpha from Enthopar, TEC and Z Men in exchange for €25,657 million issue of up to 3 billion shares by DHZ by way of authorized share capital. In that respect, and in relation thereto, DHZ entered into a sale, transfer and contribution agreement together with Enthopar, TEC, Z Men and Z Alpha.
- Z Bidco further acquired shares in DHZ from Enthopar, TEC and Z Men in exchange for the issue of shares by Z Bidco.

The Roll - up step has been accounted for as a purchase of own shares in Treetop Zobebe Bidco Limited consolidated financial statements.

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*Changes in Group's ownership interest*

The following table summarizes the effect of changes in the Group's ownership interest in Z Alpha S.A., before the merger in Treetop Zobeles Bidco Limited occurred.

The carrying amount of the fair value of Z Alpha S.A., net assets in the Group's financial statements on the date of the acquisition was negative for €852 thousand. The Group recognized a decrease in non-controlling interest of €5,066 thousand, a decrease in retained earnings of €29,282 thousand.

<i>In thousands of Euros</i>	
Group's ownership interest as of January, 1st 2018	-852
Decrease in non-controlling interests	5,066
Share of non comprehensive income	
<b>Group's ownership interest as of December 31, 2018</b>	<b>4,214</b>

**7) OTHER DISCLOSURES**

**7.1. Related party transactions**

Transactions with subsidiaries

All intercompany transactions are conducted at "arm's length", including transactions with subsidiaries having minority shareholdings.

During the year Zobeles Holding S.p.a. sold to Everel S.p.a in turn a company controlled by Enrico Zobeles an equipment with a net book value of €359 thousand for a sale price of € 100 thousand.

As at December 31, 2019, furthermore the Company holds an intercompany loan receivable for € 343 thousand from Doughty Hanson Management Bridgeco Limited.

*Directors' remunerations*

The aggregate compensation of the members of the Board of Directors for the performance of their functions within the Group for the year ended December 31, 2019 amounted to approximately €975.6 thousand (€2,331 thousand).

Highest paid Director's compensation was €726 thousand (€2,081 thousand as of December 31, 2018).

*Key management personnel compensations*

The aggregate compensation of the key management for the performance of their duties in 2019 was:

- Short-term employee benefits: € 1,584 thousand (€ 1,945 thousand as of December 31, 2018);
- Termination benefits: € 163.1 thousand (€ 160 thousand as of December 31, 2018);
- Lump sum: € zero (€2,740 thousand as of December 31, 2018).

**7.2. Commitments and guarantees**

As of December 31, 2019, the Company has Capital commitments arising from Fixed Assets for a total amount of €10,496 thousand (2018, €6,262 thousand).

As described in Note 3.16, as of December 31, 2019 the Term loans were secured and pledged on certain Group assets and shares.

There are no other material legal or arbitration proceeding which the Group believe could have a significant impact.

### **7.3. Subsequent Events**

#### *Group sale*

On February 8, 2020, Knowlton Development Corporation ("KDC/ONE"), a global leader in custom formulation and manufacturing solutions for beauty, personal care and household brands, entered into a share purchase agreement to acquire 100% of the investment held by Treetop Zobebe Bidco Limited in the Zobebe Group. The sale transaction is expected to be completed within the first half of 2020.

Established in 2002, KDC/ONE has become one of the world's leading custom formulators and manufacturers, offering high-touch innovation, operational excellence and speed to market for well-known and emerging brands. Backed by Cornell Capital, which acquired KDC/ONE in December 2018 with Caisse de dépôt et placement du Québec (CDPQ), Investissement Québec and HarbourVest Partners, KDC/ONE has expanded its technology base and expertise.

With a shared commitment to operational excellence, innovation and client service, KDC/ONE and Zobebe are dedicated partners to their customers, and the combination is expected to immediately enhance customer offerings. Following the close of the transaction, Zobebe CEO Roberto Schianchi and the current management team will continue to run the Zobebe business under the KDC/ONE umbrella, and Zobebe's headquarters will remain in Italy.

#### *Covid 19 impact on Group operations*

Zobebe is closely monitoring developments in the spread of COVID-19 and is taking all necessary pandemic prevention, control and containment measures at all of its locations globally. The Group is applying all preventative measures that are required by law, together with additional measures where Zobebe can further enhance the safety of our employees and their families. Within the Group, the effects of COVID-19 were felt in China during the month of February and the first half of March, whilst in Italy and the rest of Europe the spread of the virus started to impact countries from the second half of February.

The group's production activities in the countries where it operates have been limited to China and India. India has been subjected to a 10 day close down in line with all production activities in that country. China extended the plant shut down following Chinese New Year by 10 days and then saw a gradual return to production as workers returned to Shenzhen. The plant is now back to full production. The Group's remaining plants in Europe, Mexico and the US have continued to operate without significant impact.

The Group's global presence and the type of products and market segments in which it operates have so far largely been able to shield it from the most significant effects of COVID-19. Given the rapid evolution of the impacts of the virus, it is difficult to make quantitative forecasts about the impacts of COVID-19 on the Group's financial results. However, current forecasts show that it is expected to impact the first half of 2020 and then show a gradual recovery in the second half of 2020. The Group continues to monitor very carefully the evolution of events, with close contact with all plants, markets and customers.

#### *Other post-closing events*

On 21 April 2020, a special resolution was passed reducing the share capital of the company to €0.01 and the share premium of the company to €nil. This total reduction in share capital and share premium of €267,413,638 was credited to the profit and loss account.

There are no further significant events after the reporting period that will impact the financial statements.

**Treetop Zobebe Bidco Limited**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**7.4. Fees for audit and non-audit services**

Audit and non-audit services rendered by appointed independent audit firms and by the companies in its network are the following:

<i>In thousands of Euros</i>	As of December 31, 2019	As of December 31, 2018
Audit of the financial statements	501	382
<i>Other services:</i>		
Audit-related assurance services	21	40
Tax compliance services	48	39
Tax advisory services	2,739	313
<b>Total audit and non audit services</b>	<b>3,309</b>	<b>774</b>



**Treetop Zobebe Bidco Limited**  
**INCOME STATEMENT**  
**December 31, 2019**



<i>In thousands of Euros</i>	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Overheads	2.1	402,289	85,152
Other Expense/(Income)	2.2	1,140	-
<b>Operating loss</b>		<b>(403,429)</b>	<b>(85,152)</b>
Cost (Income) from Non-recurring transactions	2.3	4,596,836	64,128
<b>Ebita before Non-recurring transactions</b>		<b>(5,000,265)</b>	<b>(149,280)</b>
Income from shares in group undertakings		(16,036)	(6,390)
<b>Loss before taxation</b>		<b>(4,984,229)</b>	<b>(142,890)</b>
Tax on loss	2.5	-	-
<b>Loss for the financial period</b>		<b>(4,984,229)</b>	<b>(142,890)</b>

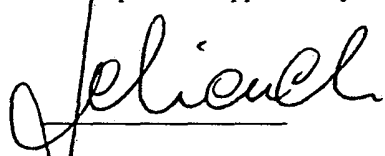
The company had no other comprehensive income during the year (2018: nil).

**Treetop Zobebe Bidco Limited**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2019**



<i>In Euro</i>	<i>Notes</i>	<i>As of December 31, 2019</i>	<i>As of December 31, 2018 Restated</i>
<b>Fixed Assets</b>			
Investments	3.1	264,484,214	264,484,214
		<b>264,484,214</b>	<b>264,484,214</b>
<b>Current Assets</b>			
Debtors	3.2	2,681,937	3,031,639
Cash at bank and in hand	3.3	1	25,067
		<b>2,681,938</b>	<b>3,056,706</b>
Creditors: amounts falling due within one year	3.4	(4,879,633)	(18,401,917)
<b>Net current assets / (liabilities)</b>		<b>(2,197,695)</b>	<b>(15,345,211)</b>
<b>Total assets less current liabilities</b>		<b>262,286,519</b>	<b>249,139,003</b>
<b>Capital and reserves</b>			
Called up share capital	3.5	249,281,893	249,281,893
Share premium reserve	3.6	18,131,745	-
Accumulated losses		(142,890)	-
Profit and loss for the period	2	(4,984,229)	(142,890)
<b>Total shareholders' funds</b>		<b>262,286,519</b>	<b>249,139,003</b>

This report was approved by the Board and signed on its behalf by:

  
Roberto Schianchi  
Le Bourg-Dun (France), April 27, 2020

**Treetop Zobebe Bidco Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
**December 31, 2019**



<i>In Euro</i>	Notes	Share Capital	Share Premium Reserve	Other Reserves	Legal Reserve	Retained Earnings	Foreign Currency Transl. Reserve	Cash Flow Hedge Reserve	Profit/(Loss) for the Period	Total Equity
<b>On incorporation</b>		<b>1</b>	-	-	-	-	-	-	-	<b>1</b>
(Loss)/profit of the period		-	-	-	-	-	-	-	(142,890)	(142,890)
Destination (Loss)/profit 2018		-	-	-	-	-	-	-	-	-
Employee benefits differences		-	-	-	-	-	-	-	-	-
Currency translation differences		-	-	-	-	-	-	-	-	-
Cash flow hedge reserve differences		-	-	-	-	-	-	-	-	-
<b>Total comprehensive expenses</b>		-	-	-	-	-	-	-	<b>(142,890)</b>	<b>(142,890)</b>
Dividend distribution		-	-	-	-	-	-	-	-	-
Equity increase / (decrease)	3.5	249,281,892	-	-	-	-	-	-	-	249,281,892
Other movements		-	-	-	-	-	-	-	-	-
<b>Total contribution by and distribution to owners of the Company recognised directly in Equity</b>		<b>249,281,892</b>	-	-	-	-	-	-	-	<b>249,281,892</b>
<b>Ending Balance as of December 31, 2018 - Restated</b>		<b>249,281,893</b>	-	-	-	-	-	-	<b>(142,890)</b>	<b>249,139,003</b>
(Loss)/profit of the period		-	-	-	-	-	-	-	(4,984,229)	(4,984,229)
Destination (Loss)/profit 2018		-	-	-	-	(142,890)	-	-	142,890	-
Employee benefits differences		-	-	-	-	-	-	-	-	-
Currency translation differences		-	-	-	-	-	-	-	-	-
Cash flow hedge reserve differences		-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	-	<b>(142,890)</b>	-	-	<b>(4,841,339)</b>	<b>(4,984,229)</b>
Dividend distribution		-	-	-	-	-	-	-	-	-
Equity increase / (decrease)	3.6	-	18,131,745	-	-	-	-	-	-	18,131,745
Other movements		-	-	-	-	-	-	-	-	-
<b>Total contribution by and distribution to owners of the Company recognised directly in Equity</b>		-	<b>18,131,745</b>	-	-	-	-	-	-	<b>18,131,745</b>
<b>Ending Balance as of December 31, 2019</b>		<b>249,281,893</b>	<b>18,131,745</b>	-	-	<b>(142,890)</b>	-	-	<b>(4,984,229)</b>	<b>262,286,519</b>

## **1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **1.1. Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied consistently throughout the period.

### **1.2. Financial reporting standard 101 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.

### **1.3. Investments**

Investments in subsidiaries are measured at cost less accumulated impairment. The prior year balance has been restated to appropriately reflect the cost of the investments in subsidiaries, an element of which had previously been allocated to goodwill (€115.8 million), following the restructuring of the Group in 2018.

## **2) INCOME STATEMENT**

### **2.1 Overheads**

The following tables sets forth a breakdown of overheads for the periods ended December 31, 2019 and 2018:

<i>In Euro</i>	As of December 31, 2019	As of December 31, 2018
Consultancies	287,586	70,430
Insurance	98,838	14,306
Bank Expenses	1,324	416
Other expenses	14,542	0
<b>Overheads</b>	<b>402,290</b>	<b>85,152</b>

### **2.2 Other (Income)/Expenses**

The following table sets forth a breakdown of other income and expenses for the periods ended December 31, 2019 and 2018:

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<i>In Euro</i>	As of December 31, 2019	As of December 31, 2018
Other Income / (Expenses)	1,140	0
<b>Other Income / (Expenses)</b>	<b>1,140</b>	<b>-</b>

### 2.3 Cost/(Income) from non recurring transactions

The following table sets forth a breakdown of "Non recurring transactions" for the twelve months ended December 31, 2019 and 2018:

<i>In Euro</i>	As of December 31, 2019	As of December 31, 2018
Cost / (Income) for non recurring items	4,596,836	64,128
<b>Cost / (Income) from non recurring items</b>	<b>4,596,836</b>	<b>64,128</b>

Non-Recurring Costs incurred for the twelve months ended December 31, 2019 were €4.6 million compared to €0.1 million in 2018 and consist of transaction costs connected to the Group's sale process launched in the year. See Note 7.3 Subsequent events of the Consolidated Financial statements.

The expenses for 2018 were related to one-time audit fees paid in relation to the first time adoption of IFRS15 and IFRS16 and to the Group reorganization.

### 2.4 Employees

The Company has no employees other than the directors, who did not receive any remuneration.

### 2.5 Tax on loss

<i>In Euro</i>	As of December 31, 2019	As of December 31, 2018
Current tax on loss for the financial period	0	0
<b>Current tax on loss for the financial period</b>	<b>-</b>	<b>-</b>

#### *Factors affecting tax charge for the period*

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

<i>In Euro</i>	As of December 31, 2019	As of December 31, 2018
Loss before taxation	(4,984,229)	(142,890)
<b>Loss before taxation</b>	<b>(4,984,229)</b>	<b>(142,890)</b>
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19%	(947,003)	(27,149)
Effects of:		
Unrelieved tax losses carried forward	947,003	27,149
<b>Total tax charge for the financial period</b>	<b>-</b>	<b>-</b>

#### *Factors that may affect future tax charges*

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. On 17 March 2020, UK legislation was changed to confirm that from 1 April 2020, the UK corporation tax rate would remain at 19%.

## 3) **BALANCE SHEET INFORMATION**

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**3.1. Investments**

<i>In Euro</i>	
Balance on incorporation	-
Addition	264,484,214
Impairment	-
Other movement	-
Exchange difference	-
Balance at December 31, 2018 - Restated	264,484,214
Addition	-
Impairment	-
Other movement	-
Exchange difference	-
Balance at December 31, 2019	264,484,214

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of share	Holding
Zobebe Holding S.p.A.	Trento (TN), via Fersina, 4 - Italy	Ordinary	100%
Z Gamma B.V.	Herikerbergweg 238, 1101 CM Amsterdam The Netherlands	Ordinary	100%

For the information related to the other subsidiary undertakings refer to Note 2.6.4.

**3.2. Debtors**

<i>In Euro</i>	As of December 31, 2019	As of December 31, 2018
Amounts owed by group undertakings	2,148,209	2,490,634
Other debtors	410,779	394,665
Tax recoverable	7,946	7,946
Prepayments and accrued income	115,003	138,394
Total Debtors	2,681,937	3,031,639

**3.3. Cash at bank and in hand**

<i>In Euro</i>	As of December 31, 2019	As of December 31, 2018
Cash at bank and in hand	1	25,067
Total Debtors	1	25,067

**3.4. Creditors: amounts falling due within one year**

<i>In Euro</i>	As of December 31, 2019	As of December 31, 2018
Trade creditors	4,872,823	258,424
Amounts owed by group undertakings	1,168	37
Taxation and group security	5,547	5,547
Other creditors	-	18,137,909
Current Bank Debt	94	-
Total Creditors	4,879,632	18,401,917

In September 2019, the Company fully repaid the contingent consideration for the acquisition of 50% of the shares of Z Alpha held by Enthopar S.à r.l. and TEC S.à r.l. corresponding to 9.89% of Z Alpha share

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capital, and 50% of the beneficiary certificates issued by Z Alpha and €15,555,000 for contingent consideration due in respect of the acquisition by the Company of the shares in DH Z S.à.r.l., PECs issued by Z Alpha S.A., and CPECs issued by DH Z S.à.r.l. from DHC Luxembourg IV S.à.r.l. by the way of funds provided by the sole shareholder as equity injection.

**3.5. Called up share capital**

In Euro	As of December 31, 2019	As of December 31, 2018
Shares classified as Equity		
Allotted, called up and fully paid		
24,928,189,294 Ordinary shares of € 0.01 each	249,281,893	249,281,893

On incorporation the Company issued 1 Ordinary share of £1.

On 2 August 2018 the Company carried out a redenomination of the Ordinary share of £1, changing the currency of the share into Euros, leaving the Company with 1 Ordinary share of €1.12.

On 2 August 2018 the Company reduced the nominal value of the 1 Ordinary share of €1.12 to €1.10.

On 6 August the Company subdivided the 1 Ordinary share of €1.10 into 110 Ordinary shares of €0.01 each.

On 5 September 2018 the Company issued 22,362,485,684 Ordinary shares of €0.01 each for consideration of €223,624,856.84. Consideration was settled in cash. The Company also issued 2,565,703,500 Ordinary shares of €0.01 each for non-cash consideration of €25,657,035. These shares were allotted as repayment of a loan of €25,657,035 owed by the Company to Zobebe Midco Limited.

Share capital has been pledged in favor of Group Lenders.

**3.6. Share premium reserve**

In September 2019, the Company fully repaid the contingent consideration for the acquisition of 50% of the shares of Z Alpha held by Enthopar S.à r.l. and TEC S.à r.l. corresponding to 9.89% of Z Alpha share capital, and 50% of the beneficiary certificates issued by Z Alpha and €15,555,000 for contingent consideration due in respect of the acquisition by the Company of the shares in DH Z S.à.r.l., PECs issued by Z Alpha S.A., and CPECs issued by DH Z S.à.r.l. from DHC Luxembourg IV S.à.r.l. by the way of funds provided by the sole shareholder as equity injection.

**3.7. Related party transactions**

Transactions occurred in 2019 with related parties are disclosed in Note 7.1 Related party transaction of the Consolidated Financial statements.

**3.8. Ultimate parent undertaking and controlling party**

Treetop Zobebe Holdco Limited, at Level 1, IFC 1 Esplanade, St Helier, Jersey JE2 3BX, Channel Islands.

**3.9. Post closing Events**

On 21 April 2020, a special resolution was passed reducing the share capital of the company to €0.01 and the share premium of the company to €nil. This total reduction in share capital and share premium of €267,413,638 was credited to the profit and loss account.