NATUZZI S P A
Form 20-F
April 30, 2019
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Natuzzi S.p.A

Annual Report on Form 20-F

2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended: December 31, 2018

Commission file number: 001-11854

NATUZZI S.p.A.

(Exact name of Registrant as specified in its charter)

Republic of Italy

(Jurisdiction of incorporation or organization)

Via Iazzitiello 47, 70029, Santeramo in Colle, Bari, Italy

(Address of principal executive offices)

Mr. Pietro Direnzo

Tel.: +39 080 8820 812; pdirenzo@natuzzi.com; Via Iazzitiello 47, 70029 Santeramo in Colle, Bari, Italy

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing five Ordinary Shares	New York Stock Exchange

Ordinary Shares, with a par value of 1.00 each*	**New York Stock Exchange***

***Not for trading, but only in connection with registration of American Depositary Shares**
Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2018 54,853,045 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this annual report on Form 20-F (the Annual Report), references to or Euro are to the Euro and references to U.S dollars, dollars, U.S.$ or $ are to United States dollars.

Amounts stated in U.S. dollars, unless otherwise indicated, have been translated from the Euro amount by converting the Euro amounts into U.S. dollars at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) for euros on December 31, 2018 of U.S.$ 1.1456. The foreign currency conversions in this Annual Report should not be taken as representations that the foreign currency amounts actually represent the equivalent U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated.

The consolidated financial statements of the Natuzzi S.p.A. as at December 31, 2018 and 2017, and the consolidated statement of financial position as at January 1, 2017 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), including interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements as at December 31, 2018 are the Group s first set of consolidated financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting has been applied.

The annual audited consolidated financial statements contained in this annual report are the Company s first consolidated financial statements prepared in accordance with IFRS. Historical financial results as of and for the year ended December 31, 2017 have been adjusted based on IFRS, which differs from the results included in our annual reports on Form 20-F for the year ended December 31, 2017. In addition, no consolidated financial statements and no financial information prepared in accordance with IFRS for the year ended December 31, 2016 have been included in this annual report. See Notes 1 and 43 to the Consolidated Financial Statements included in Item 18 of this Annual Report.

All discussions in this Annual Report are in relation to IFRS, unless otherwise indicated.

In this Annual Report, the term seat is used as a unit of measurement. A sofa consists of three seats; an armchair consists of one seat.

The terms Natuzzi, Natuzzi Group , Company, Group, we, us, and our, unless otherwise indicated or as the may otherwise require, mean Natuzzi S.p.A. and its consolidated subsidiaries.

None of the websites referred to in this Annual Report, including where a link is provided, nor any of the information contained on such websites is incorporated by reference in this Annual Report.

FORWARD-LOOKING INFORMATION

The Company makes forward-looking statements in this Annual Report. Statements that are not historical facts, including statements about the Group s beliefs and expectations, are forward-looking statements. Words such as believe, expect, intend, plan and anticipate and similar expressions are intended to identify forward-looking stat but are not exclusive means of identifying such statements. These statements are based on management s current plans, estimates and projections, and therefore readers should not place undue reliance on them. Forward-looking statements speak only as of the dates they were made, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Projections and targets included in this Annual Report are intended to describe our current targets and goals, and not as a prediction of future performance or results. The attainment of such projections and targets is subject to a number of risks and uncertainties described in the paragraph below and elsewhere in this Annual Report. See Item 3. Key Information Risk Factors.

Forward-looking statements involve inherent risks and uncertainties, as well as other factors that may be beyond our control. The Company cautions readers that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to: effects on the Group from competition with other furniture producers, material changes in consumer demand or preferences, significant economic developments in the Group s primary markets, the Group s execution of its reorganization plans for its manufacturing facilities, significant changes in labor, material and other costs affecting the construction of new plants, significant changes in the costs of principal raw materials, significant exchange rate movements or changes in the Group s legal and regulatory environment, including developments related to the Italian Government s investment incentive or similar programs. The Company cautions readers that the foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and events.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Data

The following table sets forth selected consolidated financial data for the periods indicated and is qualified by reference to, and should be read in conjunction with, the Consolidated Financial Statements and the notes thereto included in Item 18 of this Annual Report and the information presented under Operating and Financial Review and Prospects included in Item 5 of this Annual Report. The statements of profit or loss and statements of financial position data presented below have been derived from the Consolidated Financial Statements.

The consolidated financial statements of Natuzzi S.p.A. as at December 31, 2018 and 2017, and the consolidated statement of financial position as at January 1, 2017 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), including interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements as at December 31, 2018 are the Group s first set of consolidated financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting has been applied.

Being a first-time adopter, the Group restated the 2017 consolidated financial statements for comparative purposes, in order to present the effect of the adoption of the IFRS. Historical financial results as of and for the year ended December 31, 2017 have also been adjusted based on IFRS, which differs from the results included in our annual reports on Form 20-F for the year ended December 31, 2017. The Group s date of transition to the IFRS is January 1, 2017 and its first set of consolidated financial statements prepared in accordance with the IFRS is that as at and for the year ended December 31, 2018. Note 43 to the Consolidated Financial Statements included in Item 18 of this Annual Report describes the effects of the transition from the generally accepted accounting principles in the Republic of Italy (Italian GAAP) to the IFRS and presents the related reconciliation schedules.

Since these are our first audited consolidated financial statements prepared in accordance with IFRS, pursuant to the transitional relief granted by the U.S. Securities and Exchange Commission in respect of the first-time adoption of IFRS, we have only provided financial statements and financial information for the financial years ended December 31, 2018, 2017 and January 1, 2017. Financial data as of and for the years ended December 31, 2014, 2015 and 2016 derived from our consolidated financial statements prepared in accordance with the generally accepted accounting principles in the Republic of Italy (Italian GAAP) have not been included below, and no consolidated financial statements and no financial information prepared in accordance with IFRS for the year ended December 31, 2016 have been included in this annual report. See Notes 1 and 43 to the Consolidated Financial Statements included in Item 18 of this Annual Report.

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	2018 (millions of dollars, except per Ordinary Share)[1]	2018	2017
		(millions of euro, except per Ordinary Share)	
Consolidated Statement of Profit or Loss data:			
Revenue	505.0	428.5	448.9
Cost of sales	(363.2)	(308.2)	(318.4)
Gross profit	**141.8**	**120.3**	**130.5**
Other income	7.0	5.9	1.6
Selling expenses	(135.5)	(115.0)	(118.2)
Administrative expenses	(41.6)	(35.3)	(36.1)
Impairment on trade receivables	(0.8)	(0.7)	(1.5)
Other expenses	(0.7)	(0.6)	(0.2)
Operating loss	**(29.9)**	**(25.4)**	**(23.9)**
Finance income	0.5	0.4	1.2
Finance costs	(6.6)	(5.6)	(6.3)
Net exchange rate gains / (losses)	(4.6)	(3.9)	1.1
Gains from disposal and loss of control of a subsidiary	88.9	75.4	0.0
Net finance income/(costs)	**78.1**	**66.3**	**(4.0)**
Share of profit/(loss) of equity-method investees	(0.4)	(0.3)	0.0
Profit/(loss) before tax	**47.8**	**40.6**	**(27.9)**
Income tax expense	(8.8)	(7.5)	(2.9)
Profit/(Loss) before non-controlling interests	**39.0**	**33.1**	**(30.8)**
Non-controlling interests	(0.2)	(0.2)	(0.4)
Profit/(Loss) for the year	**39.2**	**33.3**	**(30.4)**
Profit/(Loss) per ordinary share (basic and diluted)	0.72	0.61	(0.55)
Weighted average number of Ordinary Shares Outstanding	54,853,045	54,853,045	54,853,045
Consolidated Statement of Financial Position Data(3):			
Current assets	$ 180.8	207.1	206.6
Total assets	325.3	372.7	332.5
Current liabilities	147.0	168.4	154.9
Long-term borrowings	9.1	10.4	20.9
Non-controlling interests	1.4	1.6	2.0
Shareholders equity attributable to Natuzzi S.p.A. and Subsidiaries(2)	119.2	136.5	102.5
Net Assets	120.6	138.2	104.5

1) Consolidated Statement of Profit or Loss amounts are converted from euros into U.S. dollars by using the average Federal Reserve Bank of New York Euro exchange rate for 2018 of U.S.$ 1.1785 per 1 Euro. Consolidated Statement of financial position amounts are converted from euros into U.S. dollars using the Noon Buying Rate of U.S.$ 1.1456 per 1 Euro as of December 31, 2018. Source: Bloomberg (USCFEURO Index).
2) Share capital as of December 31, 2018 and 2017 amounted to 54.9 million and 54.9 million, respectively. Shareholder s Equity represents the Total Equity attributable to Natuzzi S.p.A. and its subsidiaries.

3) Consolidated Statement of Financial Position data as of January 1, 2017 were as follows: Current assets: 226.1 million; Total assets: 356.4 million; Current liabilities: 155.2 million; Long-term borrowings: 6.3 million; Non-controlling interests: 3.4 million; Shareholders equity attributable to Natuzzi S.p.A. and Subsidiaries: 140.6 million; Net Assets: 144.0 million.

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Exchange Rates

The following table sets forth, for each of the periods indicated, the Noon Buying Rate for the Euro expressed in U.S. dollars per Euro.

Year:	Average(1)	At Period End
2014	1.3210	1.2101
2015	1.1032	1.0859
2016	1.1029	1.0552
2017	1.1396	1.2022
2018	1.1785	1.1456

Month ending on:	High	Low
31-Oct-2018	1.1594	1.1332
30-Nov-2018	1.1459	1.1281
31-Dec-2018	1.1456	1.1300
31-Jan-2019	1.1524	1.1322
28-Feb-2019	1.1474	1.1268
31-Mar-2019	1.1376	1.1214
Through April 19, 2019	1.1304	1.1186

(1) The average of the Noon Buying Rates for the relevant period, calculated using the average of the Noon Buying Rates on the last business day of each month during the period. Source: Federal Reserve Statistical Release on Foreign Exchange Rates Historical Rates for Euro Area; Bloomberg (USCFEURO Index).

The effective Noon Buying Rate on April 19, 2019 was U.S.$ 1.1246 to 1 Euro.

Risk Factors

Investing in the Company s ADSs involves certain risks. You should carefully consider each of the following risks and all of the information included in this Annual Report.

The Group has a recent history of losses; the Group s future profitability, financial condition and ability to maintain adequate levels of liquidity depend, to a large extent, on its ability to overcome macroeconomic and operational challenges In 2018, the Group reported a profit of 33.1 million, mainly as a result of a 75.4 million gain following the finalization of the joint venture in China which occurred in July 2018. See Note 10 to the Consolidated Financial Statements included in Item 18 of this Annual Report. During the same year, the Group reported an operating loss of 25.5 million. In 2017, the Group reported a loss of 30.8 million and an operating loss of 24.0 million, mainly resulting from both external factors and new operational challenges. See Item 5. Operating and Financial Review and Prospects. During the 2013-2016 period, the Company implemented an intensive restructuring of its operations that led to an improving trend in its results.

In 2017 and 2018, the Group concentrated its efforts on the expansion of the Group s retail network of monobrand stores, both directly operated and franchised. This activity required significant upfront costs at both the regional and HQ level. Most of the newly opened mono-brand stores were not fully productive during the first months of their openings in 2017 and 2018 and, therefore, investments in the retail and marketing organization were, at the beginning, not adequately returned by sales. While the Group expects the new directly-operated stores will progressively improve in productivity to absorb such up-front costs, there is a chance that these investments will not be recouped.

As in previous years, the Group continues to operate in a persistently difficult macroeconomic environment affecting the furniture industry (particularly evident in some mature markets, such as Europe), which includes weak economic activity in certain Euro-zone countries.

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In response to this difficult macroeconomic environment, in 2014, the Group launched a transformation plan which was aimed at restructuring the Group s operations, by reducing our Italian workforce. In 2017 and 2018, the Company faced redundant workforce related challenges. See Item 5. Operating and Financial Review and Prospects. The Group may continue to be affected by difficult macroeconomic conditions and may face operational challenges going forward.

In addition, during the last seven years, pursuant to our obligations under the Italian Reorganization Agreements (as defined in Item 10. Additional Information Material Contracts below), the Group incurred aggregate financial obligations in the amount of 42.8 million (1.4 million, 16.9 million, 4.5 million, 4.5 million, 13.5 million, 1.4 millio and 0.6 million for years 2018, 2017, 2016, 2015, 2014, 2013 and 2012, respectively) in connection with an incentive program aimed at reducing redundant employees.

Despite these incentive payments, the Group increased its cash and cash equivalents from 52.5 million at the end of 2015 to 65.0 million at the end of 2016. This positive result was due to benefits deriving from the Transformation Plan and improvements in efficiency, trade receivables securitizations and other improvements in net working capital, despite declining sales. 2016 was also characterized by an increase in financial credit lines that were initially granted by financial institutions in 2015 on both a short and long-term basis. In 2017, for the reasons highlighted above, cash and cash equivalents decreased to 55.0 million from 65.0 million at the end of 2016. Group s Net Financial Position was equal to 3.3 million at the end of 2017, from 28.9 million in 2016. Group s Net Financial Position was equal to 6.0 million at the end of 2018, from 3.3 million in 2017. In 2018, cash and cash equivalents were 62.1 million, mainly as a result of the joint venture signed in July 2018. See Item 5. Operating and Financial Review and Prospects.

Despite the challenges arising from the restructuring of our Italian operations, management believes that the Group has a sufficient source of liquidity to fund working capital expenditures and other contractual obligations for the next 12 months. See Item 5. Operating and Financial Review and Prospects. The Group has also faced increased labor costs for some of its manufacturing plants operating abroad. See Item 4. Information on the Company Manufacturing for further information.

Our results of operations and ability to maintain adequate levels of liquidity in the future will depend on our ability to overcome these and other challenges. Our failure to achieve profitability in the future could adversely affect the trading price of our shares and our ability to raise additional capital and, accordingly, our ability to grow our business. There can be no assurance that we will succeed in addressing any or all of these risks, and the failure to do so could have a material adverse effect on our business, financial condition and operating results.

The Group has redundant workers at its Italian operations. This remains an unresolved issue and the management of such redundant workers may not be successful and therefore, could significantly impact our operations, earnings and liquidity in the foreseeable future In May 2017, the Italian Supreme Court rejected the Company s appeal of a lawsuit brought by two former employees of the Company relating to the implementation of the Cassa Integrazione Guadagni Straordinaria (CIGS), an Italian temporary lay-off program, ruling in favor of the plaintiffs. As a result of this decision, the Company accrued 9.3 million in the Provision for legal claims included in the Provisions (non current) caption of the Company s Statement of financial position. In addition, in October 2016 the Company laid off 176 workers as part of an organization restructuring, 166 of which were then re-employed in the second half of 2017 as the Bari Labor Court deemed the dismissals to have been carried out improperly. In this regard, in December 2017, the Company reached an agreement with the Italian institutions representing these workers to extend the scope of the Solidarity Agreement (as defined below) in order to reduce the impact of the re-employments in 2018.

In December 2018, subject to obtaining any applicable authorizations, the Company, along with the Trade Unions and relevant Italian authorities, agreed to extend the current Solidarity Agreement (reduced-work schedules) for a one-year period ending in December 2019. In addition, parties signed an agreement to allow the Company to benefit from a temporary workforce reduction program, involving up to 491 employees, for a period of 24 months, called CIGS *Cassa Integrazione Guadagni Straordinaria* , in order to support the reorganization process. Furthermore, the parties involved agreed upon setting up an Incentive Plan for staff who would voluntarily terminate their employment relationship in 2019. For further information, please see Note 21 of the Consolidated Financial Statements included in Item 18 of this Annual Report for the amounts accrued by the Company for the probable contingent liability related to legal procedures initiated by several third parties as result of past events.

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Global economic conditions may affect the Group s business and could significantly impact our operations, sales, earnings and liquidity in the foreseeable future Our sales volumes and revenues may be affected by overall general economic conditions. For example, a significant decline in the global economy, or in consumers confidence could have a material adverse effect on our business. Deteriorating general economic conditions may affect disposable incomes and reduce consumer wealth, thus affecting client demand, which may negatively impact our profitability and put downward pressure on our prices and volumes. Many factors, all of which are generally beyond our control, affect the level of consumer spending in the home furnishing industry, including the state of the economy as a whole, stock market performance, interest and exchange rates, inflation, political uncertainty, the availability of consumer credit, tax rates, unemployment levels and other matters that influence consumer confidence. In general, sales of home furnishing goods tend to decline during recessionary periods when the level of disposable income tends to be lower or when consumer confidence is low. We distribute our products internationally and we may be affected by downturns in general economic conditions or uncertainties regarding future economic prospects that may affect the Countries in which we sell a significant portion of our products. In particular, the majority of our current sales are in the EU and in the United States; if we are unable to expand in emerging markets, a downturn in mature economies, such as the EU and the United States, may negatively affect our results of operations and financial performance.

More generally, there are many risks to the global macro-economic outlook in 2019, including (among other things) monetary policy uncertainty; geopolitical tensions globally; political tensions in Europe; unsolved sovereign debt issues in many southern European countries; threats to globalization by renewed protectionism, including rising trade tensions stemming from between the U.S. and China regarding trade relations and tariffs; the lack of progress in Brexit negotiations raising the risk of a disruptive exit with potential far-reaching consequences including the imposition of potential trade barriers, custom duties, logistic issues and restrictions to the free movement of goods and people; high levels of government, corporate and consumer indebtedness in various countries (including high levels of indebtedness in emerging markets) and a potentially significant slowdown in Chinese growth.

In the EU, in particular, despite measures taken by several governments and monetary authorities to provide financial assistance to certain Eurozone countries and to avoid default on sovereign debt obligations, concerns persist regarding the debt burden of several countries. These concerns, along with the significant fiscal adjustments carried out in several countries, intended to manage sovereign credit risk, have led to further pressure on economic growth and may lead to new periods of recession. Furthermore, a resurgence of the sovereign debt crisis in Europe could diminish the banking industry s ability to lend to the real economy, thus creating a negative spiral of declining production, higher unemployment and a weakening financial sector.

In addition, uncertainties regarding future trade arrangements and industrial policies in various countries, such as in the United Kingdom following the referendum to leave the European Union and in the United States under the current administration, create additional macroeconomic risk. In the United States, any policy to discourage import into the United States of home furnishings manufactured elsewhere could adversely affect our operations. Any new policies and any steps we may take to address such new policies may have an adverse effect on our business, financial condition and results of operations.

These difficult and uncertain conditions could continue to affect our sales and earnings in the future. Sales of residential furniture are impacted by downturns in the general economy primarily due to decreased discretionary spending by consumers.

Adverse economic conditions may also affect the financial health and performance of our dealers in a manner that will affect sales of our products or their ability to meet their commitments to us. Economic downturn may also affect retailers, our primary customers, and may result in the inability of our customers to pay the amounts owed to us. In addition, if our retail customers are unable to sell our products or are unable to access credit, they may experience financial difficulties leading to bankruptcies, liquidations, and other unfavorable events. If any of these events occur, or if unfavorable economic conditions continue to challenge the consumer environment, our future sales, earnings, and liquidity would likely be adversely impacted.

The Group s ability to generate the significant amount of cash needed to service our debt obligations and comply with our other financial obligations, and our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on multiple factors, many of which may be beyond our control Our ability to make scheduled payments due on our existing and anticipated debt obligations and on our other financial obligations, and to refinance and to fund planned capital expenditure and development efforts will depend on our ability to generate cash. See The Group has a recent history of losses; the Group s future profitability, financial condition and ability to maintain adequate levels of liquidity depend to a large extent on its ability to overcome macroeconomic and operational challenges. We will need to generate sufficient operating cash flow from our operations to service our current and future projected indebtedness. Our ability to obtain cash to service our existing and projected debts is subject to a range of economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control. We may not be able to generate sufficient cash flow from our operations to satisfy our existing and projected debt and other financial obligations, in which case, we may have to undertake alternative financing plans, sell assets, reduce or delay capital investments, or seek to raise additional capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the financial markets and our financial condition at such time. To the extent we have borrowings under bank overdrafts and short-term borrowings that are payable upon demand or which have short maturities to repay or refinance such amounts on short notice, which may be difficult to do on acceptable financial terms or at all.

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At December 31, 2018, we had 35.1 million of bank overdraft and short-term borrowings outstanding. In addition, while we had 62.1 million of cash and cash equivalents at December 31, 2018, 29.4% of this amount was held by our Chinese subsidiaries, which can be paid to us incurring withholding taxes. We cannot assure you that any refinancing or restructuring would be possible, that any assets could be sold, or, if sold, of the timing of the sales or the amount of proceeds that would be realized from those sales. We cannot assure you that additional financing could be obtained on acceptable terms, if at all, or would be permitted under the terms of our various debt instruments then in effect. Our failure to generate sufficient cash flow to satisfy our existing and projected debt obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, financial condition and results of operations.

The Company uses a securitization program to manage liquidity risk. Should such program be terminated, the Company s ability to manage such risk will be impaired As a means to manage liquidity risk, in July 2015, the Company entered into a non-recourse securitization agreement (the Securitization Agreement) with an affiliate of Banca Intesa (the Assignee). Under the Securitization Agreement, the Company assigns certain customer receivables to