

## IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) WITHIN THE MEANING OF RULE 144A (“RULE 144A”) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR (2) PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) AND WHO ARE OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S (“REGULATION S”) UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR).**

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

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

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

**Confirmation of your representation:** In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities described therein, investors must be either (1) QIBs or (2) persons who are not U.S. persons (as defined in Regulation S) and who are outside the United States in an offshore transaction outside the United States in reliance on Regulation S; provided that investors resident in a member state of the European Economic Area are qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC, as amended, and any relevant implementing measure in each member state of the European Economic Area). The offering memorandum is being sent at your request. By accepting the e-mail or other electronic transmission and accessing the offering memorandum, you shall be deemed to have represented to each of the Initial Purchasers (as defined in the attached offering memorandum), being the senders of the offering memorandum, that:

- (1) you consent to delivery of such offering memorandum by electronic transmission; and
- (2) either:
  - (a) you and any customers you represent are QIBs; or
  - (b) (i) you and any customers you represent are not U.S. persons and (ii) the e-mail address that you gave us and to which the electronic transmission has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; and
- (3) if you are resident in a member state of the European Economic Area, you are a qualified investor.

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

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

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

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

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

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

**Nidda Healthcare Holding AG**  
**Nidda BondCo GmbH****€735,000,000 3½% Senior Secured Notes due 2024**  
**€340,000,000 5% Senior Notes due 2025**

Nidda Healthcare Holding AG, an *Aktiengesellschaft* organized under the laws of Germany (the “Senior Secured Notes Issuer”), is offering €735,000,000 in aggregate principal amount of its 3½% Senior Secured Notes due 2024 (the “Senior Secured Notes”) and Nidda BondCo GmbH, a *Gesellschaft mit beschränkter Haftung* organized under the laws of Germany (the “Senior Notes Issuer”) and together with the Senior Secured Notes Issuer, the “Issuers”), is offering €340,000,000 in aggregate principal amount of its 5% Senior Notes due 2025 (the “Senior Notes”) and, together with the Senior Secured Notes, the “Notes”). A portion of the proceeds from the offering of the Senior Secured Notes and the proceeds from the offering of the Senior Notes will be used together with cash on hand at the Issuers to refinance amounts that were incurred under the Bridge Facilities (as defined herein) which financed part of the purchase price for the acquisition (the “Acquisition”) by the Senior Secured Notes Issuer of the common shares in STADA Arzneimittel AG, an *Aktiengesellschaft* organized under the laws of Germany (the “Target”), in a voluntary public tender offer (*freiwilliges Übernahmeangebot*) (the “Takeover Offer”) and to pay the costs, fees and expenses incurred in connection with the offering of the Notes, and a portion of the proceeds from the offering of the Senior Secured Notes will be deposited into a secured account for future utilization, as described in this offering memorandum.

The Senior Secured Notes will bear interest at a rate of 3.50% per annum and will mature on September 30, 2024. The Senior Notes will bear interest at a rate of 5.00% per annum and will mature on September 30, 2025. The Senior Secured Notes Issuer and the Senior Notes Issuer will pay interest on the Senior Secured Notes and the Senior Notes, respectively, semi-annually in arrears on each of March 30 and September 30, commencing on March 30, 2018.

All or a portion of the Senior Secured Notes and Senior Notes may be redeemed at any time prior to September 30, 2020, in each case, at a redemption price equal to 100% of the principal amount of the relevant series of Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date and the applicable “make-whole” premium, as described in this offering memorandum. Prior to September 30, 2020, and commencing on the Issue Date (as defined herein), the Senior Secured Notes Issuer may in each calendar year redeem up to 10% of the aggregate principal amount of the Senior Secured Notes (including any additional Senior Secured Notes) at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. The Senior Secured Notes and the Senior Notes may be redeemed at any time on or after September 30, 2020, in each case, at the redemption prices set forth in this offering memorandum. At any time prior to September 30, 2020, up to 40% of the aggregate principal amount of the Senior Secured Notes may be redeemed at a redemption price equal to 103.50% plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, provided that at least 50% of the original aggregate principal amount of the Senior Secured Notes remains outstanding after the redemption, with the net proceeds of one or more specified equity offerings. At any time prior to September 30, 2020, up to 40% of the aggregate principal amount of the Senior Notes may be redeemed at a redemption price equal to 105.00% plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, provided that at least 60% of the original aggregate principal amount of the Senior Notes remains outstanding after the redemption, with the net proceeds of one or more specified equity offerings.

All of the Senior Secured Notes and Senior Notes may also be redeemed upon the occurrence of certain changes in applicable tax law. In addition, in connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the applicable series of outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the applicable Issuer, or any third party making such a tender offer in lieu of such Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, such Issuer or such third party will have the right to redeem the Notes of such series that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of such Notes. Upon the occurrence of certain defined events constituting a change of control, each holder of Notes of any series may require the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable, to repurchase all or a portion of the Notes of such series at a price equal to 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with, or upon signing of a definitive agreement in respect of, such event.

The Issuers will not obtain control of the management of the Target Group (as defined herein), and there will be significant limitations and restrictions on the influence that the Issuers may exercise as indirect shareholders of the Target (including with respect to compliance by the Target and its subsidiaries with the covenants under the Indentures (as defined herein)), unless and until the Control Date (as defined herein) occurs. As a result, there can be no assurance that, prior to the Control Date, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the covenants under the Indentures had those covenants been applicable.

On the Issue Date, the Senior Secured Notes will be guaranteed solely by German Holdco (as defined herein), the direct majority shareholder of the Target. Subject to the Agreed Security Principles (as defined herein), on the earlier of (a) the date on which a Post-Control Date Guarantor (as defined herein) provides a guarantee of the Senior Secured Credit Facilities (as defined herein) and (b) 120 days from the earlier of (i) the Control Date and (ii) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, the Senior Secured Notes will be additionally be guaranteed on a senior basis by each such Post-Control Date Guarantor. On the Issue Date, the Senior Secured Notes will be secured on a first-priority basis by security interests in the Senior Secured Issue Date Collateral (as defined herein). In addition, within no later than 120 days from the earlier of (a) the Control Date and (b) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, the Senior Secured Notes will be secured on a first-priority basis by the Senior Secured Post-Control Date Collateral (as defined herein). The Senior Secured Post-Control Date Collateral will also secure the Senior Secured Credit Facilities and certain hedging obligations on a *pari passu* basis. See “Summary—The Offering—Collateral.” The validity and enforceability of the Senior Secured Notes Guarantees (as defined herein) and the security and the liability of each Senior Secured Notes Guarantor (as defined herein) and security provider will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*” The security interests in favor of the Senior Secured Notes and the Senior Secured Notes Guarantees may be released under certain circumstances.

On the Issue Date, the Senior Notes will be guaranteed by each of the Senior Secured Notes Issuer and German Holdco on a senior subordinated basis. Subject to the Agreed Security Principles, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Secured Credit Facilities or the Senior Secured Notes and (b) 120 days from the earlier of (i) the Control Date and (ii) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, the Senior Notes will be additionally be guaranteed on a senior subordinated basis by each such Post-Control Date Guarantor. The Senior Notes will be secured as of the Issue Date (i) on a first-priority basis by a pledge of the shares in the Senior Notes Issuer, a security assignment of any structural intercompany receivables owed by the Senior Notes Issuer to German Midco (as defined herein) and a pledge of the material bank accounts of the Senior Notes Issuer and (ii) on a second-priority basis by security interests in the Shared Issue Date Collateral. See “Summary—The Offering—Collateral.” The validity and enforceability of the Senior Notes Guarantees and the security and the liability of each Senior Notes Guarantor and security provider will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*” The security interests in favor of the Senior Notes and the Senior Notes Guarantees may be released under certain circumstances.

There is currently no public market for the Notes. Application has been made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the “Exchange”). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

**Investing in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 37.**

**Issue Price for the Senior Secured Notes: 100.00% plus accrued interest, if any, from the Issue Date.**

**Issue Price for the Senior Notes: 100.00% plus accrued interest, if any, from the Issue Date.**

The Notes and the Notes Guarantees (as defined herein) have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act (“Rule 144A”) and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See “*Notice to Investors*” for additional information about eligible offerees and transfer restrictions.

Delivery of the Notes will be made in book entry form through a common depository of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”) on or about September 29, 2017 (the “Issue Date”).

The Notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1,000 above €100,000.

**Offering of Senior Secured Notes**  
*Joint Global Coordinators and Physical Bookrunners*

Citigroup						J.P. Morgan	
Joint Bookrunners							
Barclays	COMMERZBANK	Deutsche Bank	ING	Jefferies	Nomura	Société Générale	UBS Investment Bank
Co-Manager							
MUFG							

**Offering of Senior Notes**  
*Joint Global Coordinators and Physical Bookrunners*

J.P. Morgan						Citigroup	
Joint Bookrunners							
Barclays	COMMERZBANK	Deutsche Bank	ING	Jefferies	Nomura	Société Générale	UBS Investment Bank
Co-Manager							
MUFG							

The date of this offering memorandum is September 22, 2017

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

## IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

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

This offering memorandum has been prepared by the Issuers and the Guarantors solely for use in connection with the proposed offering of the Notes. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. This offering memorandum may not be distributed to any person other than prospective investors and any person retained to advise such prospective investors with respect to the purchase of the Notes, and any disclosure of the contents of this offering memorandum without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to the foregoing and you agree to not make copies of this offering memorandum or any documents referred to in this offering memorandum.

Each of the Issuers and the Guarantors, having made all reasonable enquiries, confirms that, to the best of its knowledge, information and belief (having taken all reasonable care to ensure that such is the case), this offering memorandum contains all information that is material in the context of the issuance and offering of the Notes and the Guarantees, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts the omission of which would make this offering memorandum or any such information misleading in any material respect. The information contained in this offering memorandum is correct as of the date hereof. Neither the delivery of this offering memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuers or the Guarantors since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time subsequent to that date. The Issuers accordingly accept responsibility for the information contained in this offering memorandum.

The information contained herein regarding the Target Group is primarily based on the Target Group’s public filings.

None of Citigroup Global Markets Limited, J.P. Morgan Securities plc, Barclays Bank PLC, Commerzbank AG, Deutsche Bank AG, London Branch, ING Bank N.V. London Branch, Jefferies International Limited, Nomura Bank International plc, Société Générale, UBS Limited and MUFG Securities EMEA plc (each an “Initial Purchaser” and together, the “Initial Purchasers”) nor any employee of the Initial Purchasers has authorized the contents or circulation of this offering memorandum and does not assume any responsibility for, and will not accept any liability for, any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it.

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

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

By receiving this offering memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. Investors also acknowledge



that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes. The contents of this offering memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuers and the Group, the terms of the Offering and the merits and risks involved.

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

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

The Initial Purchasers reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes sought by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

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

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

No action has been taken by the Initial Purchasers, the Issuers, the Guarantors, or any other person that would permit an Offering or the circulation or distribution of this offering memorandum or any offering material in relation to the Issuers, the Guarantors, or the Notes in any country or jurisdiction where action for that purpose is required.

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

Application has been made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the “Exchange”) and we intend to submit this offering memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this offering memorandum in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this offering memorandum or may require the inclusion of additional information. We may also be required to update the information in this offering memorandum to reflect changes in the business, financial position or results of operations and prospects of the Issuers, the Guarantors and their respective subsidiaries. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained and settlement of the Notes is not conditioned on obtaining this listing. Any investor or potential investor in the European Economic Area (the “EEA”) should not base any investment decision relating to the Notes on the information contained in this offering memorandum after publication of the listing particulars and should refer instead to those listing particulars.

### **STABILIZATION**

IN CONNECTION WITH THIS ISSUE, CITIGROUP GLOBAL MARKETS LIMITED (THE “SENIOR SECURED NOTES STABILIZATION MANAGER”) AND J.P. MORGAN SECURITIES PLC (THE “SENIOR NOTES STABILIZATION MANAGER” AND TOGETHER WITH THE SENIOR SECURED NOTES STABILIZATION MANAGER, THE “STABILIZATION MANAGERS”) (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE RESPECTIVE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON THE STABILIZING MANAGERS (OR PERSONS ACTING ON THEIR RESPECTIVE BEHALF) TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RESPECTIVE NOTES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE “*PLAN OF DISTRIBUTION*.”

### **NOTICE TO U.S. INVESTORS**

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

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

### **CERTAIN CONSIDERATIONS REGARDING SALES INTO CANADA**

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

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser

within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights, or consult with a legal advisor.

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

## **NOTICE TO CERTAIN EUROPEAN INVESTORS**

### **European Union**

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive (as defined below), from the requirement to produce a prospectus for offers of the Notes. In relation to each member state ("Member State") of the EEA no offer of Notes to the public in that Member State may be made other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require us or any Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

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

### **Germany**

The Offering is not a public offering in the Federal Republic of Germany. The Notes may not be offered and sold in the Federal Republic of Germany except in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (as amended, the "German Securities Prospectus Act"), the Commission Regulation (EC) No. 809/2004 of April 29, 2014 as amended, and any other laws applicable in Germany. This offering memorandum has not been and will not be submitted to, nor has it been nor will it be approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("BaFin"). BaFin has not obtained and will not obtain a notification from another competent authority of a Member State, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the German Securities Prospectus Act. The Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this offering memorandum and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. Consequently, in Germany the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws.

### **Spain**

The offering of the Notes has not been registered with the Comisión Nacional del Mercado de Valores and therefore the Notes may not be offered in Spain by any means, except in circumstances which do not



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

### **United Kingdom**

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

### **Luxembourg**

This offering memorandum has not been approved by and will not be submitted for approval to (i) the Luxembourg financial sector regulator (the *Commission de surveillance du secteur financier*) for the purposes of a public offering or sale in Luxembourg, of the Notes or admission to the official list of the Luxembourg Stock Exchange (“LuxSE”) and trading on the LuxSE’s regulated market of the Notes or to (ii) the LuxSE for the purposes of admitting the Notes to the official list of the LuxSE and trading on the LuxSE’s Euro MTF market (the “Euro MTF Market”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, or listed or traded on the LuxSE’s regulated market or the Euro MTF Market, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public subject to prospectus requirements in accordance with the Luxembourg act of July 10, 2005, on prospectuses for securities, as amended.

### **Netherlands**

This offering memorandum is directed only at qualified investors (*gekwalficeerde beleggers*) as defined in the Prospectus Directive, as amended and as implemented in The Netherlands. The Notes have not, may not and will not be offered to the public in The Netherlands, other than exclusively to qualified investors (*gekwalficeerde beleggers*). For the purposes of this provision, the expression “offer of notes to the public” in relation to any Notes in The Netherlands means (i) to make a sufficiently specific offer addressed to more than one person as referred to in section 217(1) of Book 6 of the Dutch Civil Code to conclude a contract to purchase or otherwise acquire the Notes, or to issue an invitation to make an offer of the Notes, or (ii) the placement of the Notes through financial intermediaries as referred to in section 2(1)(d) of the Prospectus Directive.

### **Republic of Ireland**

The Notes may only be offered or sold to the public in the Republic of Ireland or underwritten or placed in conformity with the provisions of: (i) the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank of Ireland (the “Central Bank”) under Section 1363 of the Companies Act 2014 (as amended, the “Companies Act”); (ii) the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended, the “MiFID Regulations”), including, without limitation, Regulations 7 (Authorization) and 152 (Restrictions on advertising) thereof any codes of conduct made under the MiFID Regulations, and the provisions of the Investor Compensation Act 1998 (as amended); (iii) the Companies Act, the Central Bank Acts 1942 to 2015 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 (as amended); (iv) the Market

## FORWARD-LOOKING STATEMENTS

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

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

- our highly competitive industry;
- extensive governmental regulation and changes in these regulations, or our failure to comply with regulations;
- changes in demand for our products due to economic, political and regulatory factors which are beyond our control;
- existing and future healthcare cost-containment reform measures by government health authorities or government-sponsored healthcare systems;
- failure to obtain necessary government approvals for manufacturing and marketing our products;
- failure to successfully develop, manufacture or commercialize new Generics products in a timely manner;
- the risk of litigation and other claims, including with respect to the infringement of third parties proprietary rights;
- the risk of industrial action or adverse labor relations;
- reputational issues due to product liability or contamination issues, whether actual or perceived;
- acceptance of the products by end-users and independent third parties, including public health insurers, doctors and pharmacists;
- problems in manufacturing products;
- potential significant integration costs with respect to any of our bolt-on acquisitions;
- disruption of our operations due to accidents, equipment malfunctioning or other unexpected events;
- accidental contamination, non-compliance with environmental, health and safety laws or environmental, health and safety litigation or liability;
- our failure to renew agreements with material suppliers and wholesale customers on acceptable terms or the termination of such agreements;
- changes in large volumes of demand arising from tender systems leading to delivery bottlenecks or unintentional increase in inventories;
- significant increases in the cost of active ingredients or auxiliary materials used in manufacturing our products or lack of their availability;

- risks associated with cross border sales and purchases;
- risks related to conducting operations in several different countries;
- pricing adjustments of cross-border transactions leading to greater or double taxation of profits;
- risks of international sanctions affecting Russia, in which we operate manufacturing facilities and have significant sales;
- international sanctions, including economic and trade sanctions imposed by the European Union and other jurisdictions, affecting our international sales and operations, including in Russia;
- the result of the United Kingdom's withdrawal from the European Union;
- the potential decline of our sales and profits from generic pharmaceutical products as a result of competition, both from other pharmaceutical companies and as a result of increased governmental pricing pressure;
- undesirable side effects or other properties of our products that delay or prevent their regulatory approval or limit their commercial potential;
- counterfeit versions of our products;
- the termination of licenses from third party pharmaceutical companies;
- our inability to retain key personnel;
- a breakdown in our information technology systems;
- our failure to maintain the confidentiality of personal data;
- default or counterparty risks in connection with our operating business or as a result of contracting parties' failure to meet their contractual obligations;
- risks related to potential negative long-term health effects of vaping products use;
- fluctuations in exchange rates;
- transfer price risks;
- impairment of goodwill and other intangible assets;
- operating risks, including natural disasters, sabotage, terrorism and other criminal activities;
- the risk of deconsolidation for failure to comply with the requirements set forth in IFRS 10, particularly with respect to our Vietnamese Joint Venture;
- changes to the composition of the Eurozone; and
- other factors discussed under “*Risk Factors*.”

These risks and others described under “*Risk Factors*” are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our financial position, results of operations and liquidity. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

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

## **INDUSTRY AND MARKET DATA**

We operate in the pharmaceuticals sector of the global healthcare industry. In certain cases, it is difficult in this sector to obtain precise market, economic and industry information. Certain information used in this

offering memorandum has been obtained from Quintiles IMS Holdings, Inc. (“Quintiles IMS”), a leading information, services and technology company. In particular, information obtained from Quintiles IMS includes descriptions of the pharmaceutical markets in certain geographies and details of the Target Group’s market share and competitive position, which may be based on manufacturer or pharmacy sales and volume or value. In addition, certain information regarding industry benchmarks and potential cost savings have been obtained by the Sponsors from a leading global consulting firm.

None of the Issuers, the Guarantors or the Initial Purchasers accepts responsibility for the factual correctness of any such statistics or information obtained from third parties. While the Issuers believe this information to be reliable, it has not been independently verified, and we do not make any representation or warranty as to the accuracy or completeness of such information set forth in this offering memorandum. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. Additionally, industry publications and reports from management consultants generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot therefore assure you of the accuracy and completeness of such information as we have not independently verified such information.

#### **TRADEMARKS AND TRADE NAMES**

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

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

## CERTAIN DEFINITIONS

In this offering memorandum:

“Acquisition”	means the acquisition by the Senior Secured Notes Issuer of the common shares in the Target;
“Agreed Security Principles”	has the meaning ascribed to it under “ <i>Description of the Senior Secured Notes</i> ”;
“Bain Capital”	means Bain Capital Investors, LP and its affiliates and, where applicable, the funds and limited partnerships managed or advised by them. In the context of its investment in Bain Holdco, references to Bain Capital include its co-investors in such investment;
“Bain Holdco”	means Universe Luxembourg S.C.A.;
“Branded Products”	means our Branded Products segment and products sold in such segment, as the context requires;
“Bridge Facilities”	means the Senior Secured Bridge Facility, together with the Senior Unsecured Bridge Facility;
“Bridge Facilities Agreements”	means the Senior Secured Bridge Facility Agreement, together with the Senior Unsecured Bridge Facility Agreement;
“Cinven”	means Cinven Capital Management (VI) Limited Partnership, acting through its general partner Cinven Capital Management (VI) General Partner Limited, Cinven Partners LLP, Cinven Limited and Cinven (Luxco 1) S.A. and their respective affiliates and, where applicable, the funds and limited partnerships managed or advised by them. In the context of its investment in Cinven Holdco, references to Cinven include its co-investors in such investment;
“Cinven Holdco”	means Ciddan S.à r.l.;
“Clearstream”	means Clearstream Banking, <i>société anonyme</i> or any successor thereof;
“Collateral”	means, collectively, the Senior Secured Issue Date Collateral, the Senior Notes Issue Date Collateral and the Senior Secured Post-Control Date Collateral;
“Control Date”	means the earliest to occur of (a) the date on which the domination and profit and loss pooling agreement (including any agreement(s) that replace, supersede, amend or modify the same) which may be entered into between (i) the Target, as dominated company, and (ii) the Senior Secured Notes Issuer and/or German Holdco, as dominating company (the “DPLTA”) is registered in the commercial register of the Target; (b) the date on which the Target is converted into a <i>Gesellschaft mit beschränkter Haftung</i> and (c) the date on which the Target is merged into the Senior Secured Notes Issuer and/or German Holdco pursuant to a merger related squeeze-out or the Target shares of the minority shareholders are acquired pursuant to a squeeze-out and the Senior Secured Notes Issuer is converted into a <i>Gesellschaft mit beschränkter Haftung</i> ;
“Equity Contributions”	has the meaning ascribed to it under “ <i>Summary—The Transactions—The Acquisition</i> ”;
“EU”	means the European Union;
“Euroclear”	means Euroclear Bank SA/NV or any successor thereof;



“Existing Debt”	means the amount of the Target’s financial liabilities as per the Interim Financial Statements for the six months ended June 30, 2017, as such amount may increase or decrease from time to time;
“First Settlement Date”	means August 22, 2017;
“Generics”	means our Generics segment and products sold in such segment, as the context requires;
“German Holdco”	means Nidda Healthcare GmbH;
“German Midco”	means Nidda German Midco GmbH;
“German Topco”	means Nidda German Topco GmbH;
“Group”	means the Senior Notes Issuer together with its subsidiaries;
“Guarantees”	means the Senior Notes Guarantees and the Senior Secured Notes Guarantees, collectively;
“Guarantors”	means the Senior Notes Guarantors and the Senior Secured Notes Guarantors, collectively;
“HGB”	means the German Commercial Code ( <i>Handelsgesetzbuch</i> );
“IFRS”	means International Financial Reporting Standards, as adopted by the EU;
“Indentures”	means the Senior Secured Notes Indenture and the Senior Notes Indenture;
“Initial Purchasers”	means Citigroup Global Markets Limited, J.P. Morgan Securities plc, Barclays Bank PLC, Commerzbank AG, Deutsche Bank AG, London Branch, ING Bank N.V., London Branch, Jefferies International Limited, Nomura International plc, Société Générale, UBS Limited and MUFG Securities EMEA plc;
“Intercreditor Agreement”	means the intercreditor agreement dated as of August 17, 2017, among the Issuers, U.S. Bank Trustees Limited as Security Agent and security agent under the Senior Secured Credit Facilities Agreement, and certain lenders and arrangers under the Senior Secured Credit Facilities Agreement;
“Issue Date”	means the date of original issuance of the Senior Secured Notes or the Senior Notes, as the context may require;
“Issuers”	means the Senior Secured Notes Issuer and the Senior Notes Issuer;
“Lux TopCo”	means Nidda Topco S.á r.l.;
“Member State”	means a member state of the European Economic Area;
“MENA”	means the Middle East and North Africa;
“Minimum Acceptance Threshold”	has the meaning ascribed to it under “ <i>Summary—The Transactions—The Acquisition</i> ”;
“Notes”	means the Senior Secured Notes together with the Senior Notes;
“Notes Guarantees”	means the Senior Secured Notes Guarantees together with the Senior Notes Guarantees;
“Offer Price”	has the meaning ascribed to it under “ <i>Summary—The Transactions—The Acquisition</i> ”;

“Offering” or “Offerings” . . . . .	means the offering of the Senior Secured Notes and/or the Senior Notes pursuant to this offering memorandum, as the context may require;
“OTC” . . . . .	means over-the-counter;
“Post-Control Date Guarantors” . . . .	means the Target and certain of its subsidiaries organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland;
“Refinancing” . . . . .	has the meaning ascribed to it under “ <i>Summary—The Transactions—The Refinancing</i> ”;
“Regulation S” . . . . .	means Regulation S under the Securities Act;
“Republic of Ireland” or “RoI” . . . .	means the island of Ireland excluding Northern Ireland;
“Revolving Credit Facility” . . . . .	means the €400 million multicurrency revolving credit facility established under the Senior Secured Credit Facilities Agreement;
“Security Agent” . . . . .	means U.S. Bank Trustees Limited, as security agent for the Notes;
“Security Documents” . . . . .	has the meaning ascribed to it under “ <i>Description of the Senior Secured Notes</i> ” and “ <i>Description of the Senior Notes</i> ”;
“Senior Notes” . . . . .	means the €340 million aggregate principal amount of 5% Senior Notes due 2025 offered hereby by the Senior Notes Issuer;
“Senior Notes Collateral” . . . . .	has the meaning set forth in “ <i>Summary—The Offering—Collateral—Senior Notes</i> ”;
“Senior Notes Guarantees” . . . . .	has the meaning ascribed to it under “ <i>Summary—The Offering—Guarantors—Senior Notes</i> ”;
“Senior Notes Guarantors” . . . . .	means the Senior Secured Notes Issuer and German Holdco together with the Post-Control Date Guarantors;
“Senior Notes Indenture” . . . . .	means the indenture to be dated on the Issue Date governing the Senior Notes by and among, <i>inter alios</i> , the Senior Notes Issuer and the Senior Notes Trustee;
“Senior Notes Issue Date Collateral” .	has the meaning ascribed to it under “ <i>Summary—The Offering—Collateral—Senior Notes</i> ”;
“Senior Notes Issuer” . . . . .	means Nidda BondCo GmbH;
“Senior Notes Trustee” . . . . .	means U.S. Bank Trustees Limited, as trustee under the Senior Notes Indenture;
“Senior Secured Bridge Facility” . . . .	means the €485 million bridge term loan facility made available to the Senior Secured Notes Issuer under the Senior Secured Bridge Facility Agreement;
“Senior Secured Bridge Facility Agreement” . . . . .	means the senior secured bridge facility agreement dated as of August 17, 2017, among, <i>inter alios</i> , the Senior Secured Notes Issuer, as the company, and Barclays Bank PLC, Nomura Bank International plc, UBS Limited, Citigroup Global Markets Limited, Commerzbank AG, Deutsche Bank AG, London Branch, ING Bank, a branch of ING-DIBA AG, Jefferies Finance Europe, SCSP, J.P. Morgan Limited, and Société Générale S.A. Frankfurt Branch, as mandated lead arrangers;

“Senior Secured Credit Facilities” . . .	means the Term Loan B Facility and the Revolving Credit Facility made available or which may be made available under the Senior Secured Credit Facilities Agreement;
“Senior Secured Credit Facilities Agreement” . . . . .	means the senior secured credit facilities agreement, dated August 17, 2017, as amended from time to time among, <i>inter alios</i> , the Senior Secured Notes Issuer and Barclays Bank PLC, as agent and U.S. Bank Trustees Limited as security agent;
“Senior Secured Issue Date Collateral” . . . . .	has the meaning ascribed to it under “ <i>Summary—The Offering—Collateral</i> ”;
“Senior Secured Notes” . . . . .	means the €735 million aggregate principal amount of the 3½% Senior Secured Notes due 2024 offered hereby by the Senior Secured Notes Issuer;
“Senior Secured Notes Collateral” . . .	has the meaning ascribed to it under “ <i>Summary—The Offering—Collateral—Senior Secured Notes</i> ”;
“Senior Secured Notes Guarantees” .	has the meaning ascribed to it under “ <i>Summary—The Offering—Guarantors—Senior Secured Notes</i> ”;
“Senior Secured Notes Guarantors” . .	means German Holdco together with the Post-Control Date Guarantors;
“Senior Secured Notes Indenture” . . .	means the indenture to be dated on or prior to the Issue Date governing the Senior Secured Notes by and among, <i>inter alios</i> , the Senior Secured Notes Issuer and the Senior Secured Notes Trustee;
“Senior Secured Notes Issuer” . . . . .	means Nidda Healthcare Holding AG;
“Senior Secured Notes Trustee” . . . . .	means U.S. Bank Trustees Limited, as trustee under the Senior Secured Notes Indenture;
“Senior Secured Post-Control Date Collateral” . . . . .	has the meaning ascribed to it under “ <i>Summary—The Offering—Collateral</i> ”;
“Senior Unsecured Bridge Facility” . .	means the €340 million bridge term loan facility made available to the Senior Notes Issuer under the Senior Unsecured Bridge Facility Agreement;
“Senior Unsecured Bridge Facility Agreement” . . . . .	means the senior unsecured bridge facility agreement dated as of August 17, 2017, among, <i>inter alios</i> , the Senior Notes Issuer, as the company, and Barclays Bank PLC, Nomura Bank International plc, UBS Limited, Citigroup Global Markets Limited, Commerzbank AG, Deutsche Bank AG, London Branch, ING Bank, a branch of ING-DIBA AG, Jefferies Finance Europe, SCSP, J.P. Morgan Limited, and Société Générale S.A. Frankfurt Branch, as mandated lead arrangers;
“Shared Issue Date Collateral” . . . . .	has the meaning ascribed to it under “ <i>Summary—The Offering—Collateral—Senior Notes</i> ”;
“SKUs” . . . . .	means stock keeping units. Each stock keeping unit designates a distinct type of product;
“Sponsor Holdcos” . . . . .	means Bain Holdco and Cinven Holdco, collectively;
“Sponsors” . . . . .	means Bain Capital and Cinven, collectively;

“STADA,” “we,” “us,” “our” and other similar terms . . . . .	means the Target Group, except where the context otherwise requires;
“STADA shares” or “Target shares” .	means the shares in the Target;
“Takeover Offer” . . . . .	has the meaning ascribed to it under “ <i>Summary—The Transactions—The Acquisition</i> ”;
“Target” or “STADA” . . . . .	means STADA Arzneimittel AG;
“Target Group” . . . . .	means the Target together with its subsidiaries;
“Term Loan B Facility” . . . . .	means the €1,700 million (equivalent) term loan B facility under the Senior Secured Credit Facilities Agreement;
“Transactions” . . . . .	means the acquisition of the Target by the Senior Secured Notes Issuer and the related transactions (including the financing in connection with the acquisition), as further described in “ <i>Summary—The Transactions</i> ”;
“Trustees” . . . . .	means the Senior Secured Notes Trustee and the Senior Notes Trustee, and references to “Trustee” are to each of them, as the context requires;
“United Kingdom” or “UK” . . . . .	means the United Kingdom and its territories and possessions;
“U.S. GAAP” . . . . .	means generally accepted accounting principles in the United States; and
“United States” or “U.S.” . . . . .	means the United States of America and its territories and possessions.

## PRESENTATION OF FINANCIAL INFORMATION

### Financial Information

Each of the Senior Secured Notes Issuer and the Senior Notes Issuer was incorporated in connection with the Transactions. As of the date of this offering memorandum, each of the Issuers is a holding, management and finance company with no revenue-generating activities of its own, and no business operations, material assets or liabilities other than those incurred in connection with its incorporation and the Transactions. See *“Risk Factors—Risks Relating to Our Capital Structure—The Issuers are holding companies that have no revenue generating operations of their own and will depend on cash from the operating companies of the Target Group to be able to make payments on the Notes and the Guarantees.”* As a result, no financial information of the Issuers is included in this offering memorandum, except for certain limited “as adjusted” financial data presented on a consolidated basis as adjusted to reflect certain effects of the Transactions.

All historical financial information presented in this offering memorandum is that of the Target and its consolidated subsidiaries. Accordingly, unless otherwise stated, all references to “we,” “us,” “our” or the “Target Group” in respect of historical financial information in this offering memorandum are to the Target and its subsidiaries on a consolidated basis.

This offering memorandum includes the historical financial statements listed below (together, our “Financial Statements”):

- the unaudited condensed consolidated interim financial statements of the Target as of and for each of the six months ended June 30, 2016 and 2017, which are presented in accordance with IFRS, including the auditor’s review report thereon (the “Interim Financial Statements”); and
- the audited consolidated financial statements of the Target as of and for each of the three years ended December 31, 2014, 2015 and 2016, which are presented in accordance with IFRS and the supplementary provisions pursuant to Section 315(a)(1) of the HGB, including the auditors’ report thereon (the “Audited Financial Statements”).

The financial information for the twelve months ended June 30, 2017, is unaudited and has been calculated by taking the results of operations for the six months ended June 30, 2017, and adding it to the difference between the results of operations for the year ended December 31, 2016, and the six months ended June 30, 2016. The financial information for the twelve months ended June 30, 2017, has not been audited or reviewed by our auditors, is not required by or presented in accordance with IFRS or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This information is not necessarily representative of our results of operations for such a period or any future period or any financial position at any past or future date.

This offering memorandum includes certain financial information as of and for the twelve months ended June 30, 2017, presented at the level of the Senior Secured Notes Issuer and the Senior Notes Issuer, on an adjusted basis to give pro forma effect to the Transactions and the application of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the Transactions on the Senior Secured Notes Issuer’s and the Senior Notes Issuer’s indebtedness as if the Transactions had occurred on June 30, 2017 and on the Senior Secured Notes Issuer’s and the Senior Notes Issuer’s interest expense as if the Transactions had occurred on July 1, 2016. The pro forma financial information as of and for the twelve months ended June 30, 2017, has been prepared for illustrative purposes only and does not represent what the Issuers’ indebtedness or interest expense would have been had the Transactions occurred on June 30, 2017, or July 1, 2016, respectively; nor does it purport to project the Senior Secured Notes Issuer’s and the Senior Notes Issuer’s indebtedness or interest expense at any future date. The pro forma financial information as of and for the twelve months ended June 30, 2017, has not been prepared in accordance with IFRS. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information as of and for the twelve months ended June 30, 2017, have been audited or reviewed in accordance with any generally accepted auditing standards.

In the future, we will report our consolidated financial condition and results of operations at the level of each Issuer or, alternatively, German Topco. The fiscal year of each Issuer ends on December 31 of each calendar year and we expect that the first annual consolidated financial statements for the Issuers will be available in respect of the fiscal year ended December 31, 2017. The Senior Secured Notes Issuer will account for the Acquisition using the acquisition method of accounting under IFRS. Under IFRS 3 “Business Combinations,” the consideration transferred in an acquisition is measured as the fair value of



the assets transferred by the acquirer on the date of the acquisition, any liabilities incurred by the acquirer to the former owners of the target and any equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred, except for deferred costs related to the acquisition of debt or equity securities. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the aggregate of the consideration transferred and the amount of non-controlling interests in the target over the identifiable net assets on the acquisition date is recorded as goodwill. The application of the acquisition method is likely to result in different carrying values for existing assets and new assets may be added to the target's balance sheet, which may result in different amortization and depreciation expenses. Due to these and other potential adjustments, our future financial statements could be materially different once the adjustments are made and may not be comparable to the Target's consolidated financial statements included in this offering memorandum. If the Offering were registered under the U.S. Securities Act, we would be required to present pro forma financial statements to reflect such adjustments and the impact of the Transactions, but no pro forma financial statements are presented in this offering memorandum. We have not identified the fair value of assets acquired and liabilities to be assumed at the date of the Acquisition. In accordance with IFRS, we have a measurement period of up to twelve months from the acquisition date to finalize the allocation of the purchase price. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations and Financial Condition."*

## **Non-GAAP Financial Measures**

### ***General***

In this offering memorandum, we present certain financial measures that are not recognized by IFRS or any other generally accepted accounting principles and that may not be permitted to appear on the face of the financial statements or footnotes thereto. The primary non-GAAP financial measures used in this offering memorandum include EBIT, EBITDA, Management Adjusted EBITDA, Pro Forma Adjusted EBITDA, adjusted sales, constant-currency sales, operating profit, adjusted operating profit, Adjusted Free Cash Flow, Cash Conversion, Adjusted Capital Expenditures and adjusted net income (our "Non-GAAP Measures"). Each of the EBITDA-based and net income-based measures presented in this offering memorandum is defined and calculated differently from the definition of "Consolidated Net Income" and "Consolidated EBITDA" presented in the Indentures.

Our primary Non-GAAP Measures are defined as follows:

- "Adjusted Capital Expenditures" is defined as capital expenditures (as defined below), excluding payments for significant investments and acquisitions;
- "Adjusted Free Cash Flow" is defined as Management Adjusted EBITDA (as defined below), less Adjusted Capital Expenditures (as defined above);
- "adjusted operating profit" is defined as net income before interest, taxes, investment income and result from investments measured at equity, adjusted for certain special items;
- "adjusted sales" is defined as sales, adjusted for currency effects and portfolio changes;
- "capital expenditures" is defined as total capital expenditure on intangible assets, property, plant and equipment and financial assets;
- "Cash Conversion" is defined as Adjusted Free Cash Flow divided by Management Adjusted EBITDA (as defined below);
- "constant-currency sales" is defined as sales, adjusted so that all of our non-euro denominated sales are translated into euro at the same constant exchange rate in all periods presented;
- "EBIT" is defined as net income before interest and taxes;
- "EBITDA" is defined as net income before interest, taxes, depreciation and amortization;
- "Management Adjusted EBITDA" is defined as EBITDA, adjusted for certain special items;
- "operating profit" is defined as net income before interest, taxes, investment income and result from investments measured at equity; and

- “Pro Forma Adjusted EBITDA” is defined as Management Adjusted EBITDA, adjusted for certain Sponsor-identified adjustments and expected cost savings. These adjustments and cost savings have been determined solely by the Sponsors as further described in the offering memorandum and should not be attributed to the Target.

By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe EBIT, EBITDA, Management Adjusted EBITDA and Pro Forma Adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. By eliminating certain effects that affect the comparability between periods, we believe adjusted sales, constant-currency sales, operating profit and adjusted operating profit enhance investors’ understanding of our underlying operating performance. We believe a presentation of Adjusted Free Cash Flow, Cash Conversion, net working capital, capital expenditures and Adjusted Capital Expenditures is useful to investors to assess our liquidity. For these reasons, we believe that our Non-GAAP Measures and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

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

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

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

### ***Constant-Currency Sales***

We present our Financial Statements in euro. As a result, we translate the financial position and results of operations attributable to our consolidated subsidiaries with a functional currency other than euro into euro, using average exchange rates as of the dates and during the periods presented. In this offering memorandum, we present our sales not only as reported under IFRS, but also on a constant-currency basis using the Non-GAAP Measure titled constant-currency sales. Constant-currency sales removes the distorting effect of fluctuations in the exchange rates we use in the translation of our non-euro denominated sales into euro by instead assuming that exchange rates were constant in all periods. The analysis of constant-currency sales was prepared as part of the Issuers’ due diligence of the Target, and the

Issuers believe that this measure facilitates an understanding of the underlying economic performance of the Target Group's operations. Our constant-currency sales for the years ended December 31, 2016, 2015 and 2014 and the six months ended June 30, 2017 and 2016 are computed by translating the actual values of our non-euro denominated sales as per our subsidiaries' financial statements using the following adjusted foreign exchange rates instead of the actual foreign exchange rates used for reporting purposes during the applicable period (except with respect to consolidation adjustments):

Adjusted Currencies	Adjusted Foreign Exchange Rates <sup>(1)</sup>	Actual Foreign Exchange Rates					
		Year ended December 31,			Six months ended June 30,		Twelve months ended June 30, 2017
		2014	2015	2016	2016	2017	
RUB to EUR . . . . .	67.6	52.5	68.6	72.9	76.4	62.8	66.1
GBP to EUR . . . . .	0.888	0.806	0.725	0.823	0.781	0.862	0.860
VND to EUR . . . . .	25,763.0	27,777.8	24,306.6	24,718.0	24,891.1	24,596.9	24,582.0
RSD to EUR . . . . .	120.5	117.2	120.8	123.2	123.0	123.4	123.3
CHF to EUR . . . . .	1.1	1.2	1.1	1.1	1.1	1.1	1.1
DKK to EUR . . . . .	7.4	7.5	7.5	7.4	7.5	7.4	7.4
UAH to EUR . . . . .	29.5	15.4	24.4	28.3	28.6	29.0	28.5
AED to EUR . . . . .	4.2	—	4.0	4.1	4.1	4.0	4.0
KZT to EUR . . . . .	370.2	238.7	241.4	376.4	386.1	338.9	354.1
BAM to EUR . . . . .	1.9	2.0	2.0	2.0	2.0	2.0	2.0
CZK to EUR . . . . .	26.2	27.5	27.2	27.0	27.0	26.8	26.9
CNY to EUR . . . . .	7.8	8.2	7.0	7.3	7.3	7.4	7.4
PHP to EUR . . . . .	57.8	59.0	50.6	52.6	52.4	53.8	53.2
ARS to EUR . . . . .	19.3	—	—	16.5	16.3	17.1	16.9
RON to EUR . . . . .	4.6	4.4	4.4	4.5	4.5	4.5	4.5
USD to EUR . . . . .	1.1	1.3	1.1	1.1	1.1	1.1	1.1
HKD to EUR . . . . .	9.0	10.3	8.7	8.6	8.7	8.4	8.5
THB to EUR . . . . .	38.6	43.2	37.9	39.0	39.5	37.6	38.0
EGP to EUR . . . . .	20.6	—	8.6	9.7	9.4	—	9.9
LTL to EUR . . . . .	3.5	3.5	—	—	—	—	—
AUD to EUR . . . . .	1.5	—	—	—	—	1.4	1.4

(1) Each constant foreign exchange rate presented in this column was used in calculating constant-currency sales. Each rate is equal to the actual average foreign exchange rate to euro of the corresponding currency during the 90 days ended August 24, 2017.

### Adjusted Sales

We also report the Non-GAAP Measure adjusted sales which is defined as sales, adjusted for currency effects and portfolio changes. The adjustment in respect of currency effects removes the distorting impact of exchange rate movements that affect the comparability between periods. In calculating this adjustment in each period, we use the same foreign exchange rates as in the comparative prior period to translate our non-euro denominated sales in euro. The adjustment in respect of portfolio changes is a like-for-like adjustment that excludes the effect of investments in and divestments of companies and products. In calculating this adjustment in each period, we only take into account the organic sales generated by products that were sold in both periods that are being compared.

In the section entitled “*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations*,” we provide a tabular reconciliation for each period between adjusted sales and reported sales, its closest comparable IFRS measure. Each such reconciliation table also shows the comparative data for the previous period. Investors should note that such comparative data is solely meant to illustrate the comparative basis for the later period and differs from the actual adjusted sales data for the previous period.

### Constant Currency Basis

In addition, in the section “*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations*,” we compare our sales on a constant currency basis. This means that we translate our non-euro denominated sales at the same foreign exchange rates as in the previous period to eliminate the impact of any intervening fluctuations in these rates.

## **Rounding**

Certain numerical figures set out in this offering memorandum, including financial data presented in millions or thousands and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information. In addition, as a result of such rounding, the totals of certain financial information presented in tabular form may differ from the information that would have appeared in such totals using the unrounded financial information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” are calculated using the numerical data in the consolidated financial statements of the Target contained in this offering memorandum, as applicable, and not using the numerical data in the narrative description thereof.

## **STADA Vietnam J.V. Co. Ltd.**

In the Target’s balance sheets as of December 31, 2016 and March 31, 2017, the Target presented certain assets and liabilities separately as held for sale. As of March 31, 2017, such assets and liabilities related exclusively to its joint venture STADA Vietnam J.V. Co. Ltd. (which is between one of its subsidiaries in Vietnam, STADA Pharmaceutical (Asia) Ltd., and M.S.T. Commercial and Pharmaceutical Company Limited) (the “Vietnamese Joint Venture”). During the second quarter of 2017, the Target Group’s management abandoned its intention to sell the Vietnamese Joint Venture and, consequently, it treated the Vietnamese Joint Venture as a regular subsidiary and presented all its assets and liabilities in its consolidated balance sheet for the six months ended June 30, 2017. When preparing its Interim Financial Statements for the six months ended June 30, 2017, the Target was unable to obtain the Vietnamese Joint Venture’s financial information for the period from April 1, 2017 through June 30, 2017, although its corporate governance rights with respect to the Target had not changed. As a result, the Target has estimated such information based on the most recent forecasts available to it; such estimated financial information accounted for 1% of the sales, 2% of the EBITDA and 1% of the net income of the Target Group in the six months ended June 30, 2017. As of September 2017, the Target Group has resumed negotiations with a view to a potential sale of the Vietnamese Joint Venture. As a result, the Target Group expects to revert to presenting the assets and liabilities associated with the Vietnamese Joint Venture as held for sale in its financial statements as of and for the nine months ended September 30, 2017. Furthermore, if the Target’s inability to obtain financial information on the Vietnamese Joint Venture were to continue, this could be regarded as factual evidence of the Target’s loss of control and require the Target to deconsolidate the Vietnamese Joint Venture in accordance with IFRS 10. See “*Risk Factors—Risks Relating to Our Business and Industry—We may be exposed to the risk of deconsolidation if we do not comply with the requirements set forth in IFRS 10, particularly with respect to our Vietnamese Joint Venture.*”

## EXCHANGE RATE INFORMATION

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

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

The Bloomberg Composite Rate of the euro on September 21, 2017 was \$1.1933 per €1.00.

	U.S. dollars per €1.00			
	Period end	Average	High	Low
<b><i>Year</i></b>				
2012 .....	1.3197	1.2859	1.3463	1.2053
2013 .....	1.3789	1.3300	1.3789	1.2819
2014 .....	1.2100	1.3209	1.3866	1.2100
2015 .....	1.0866	1.1032	1.1288	1.0560
2016 .....	1.0547	1.1069	1.1527	1.0384
<b><i>Month</i></b>				
March 2017 .....	1.0697	1.0684	1.0864	1.0506
April 2017 .....	1.0901	1.0711	1.0949	1.0599
May 2017 .....	1.1237	1.1055	1.1237	1.0867
June 2017 .....	1.1413	1.1236	1.1430	1.1125
July 2017 .....	1.1811	1.1522	1.1811	1.1338
August 2017 .....	1.1881	1.1815	1.2016	1.1702
September 2017 (through September 21, 2017) .....	1.1933	1.1939	1.2026	1.1858



## SUMMARY

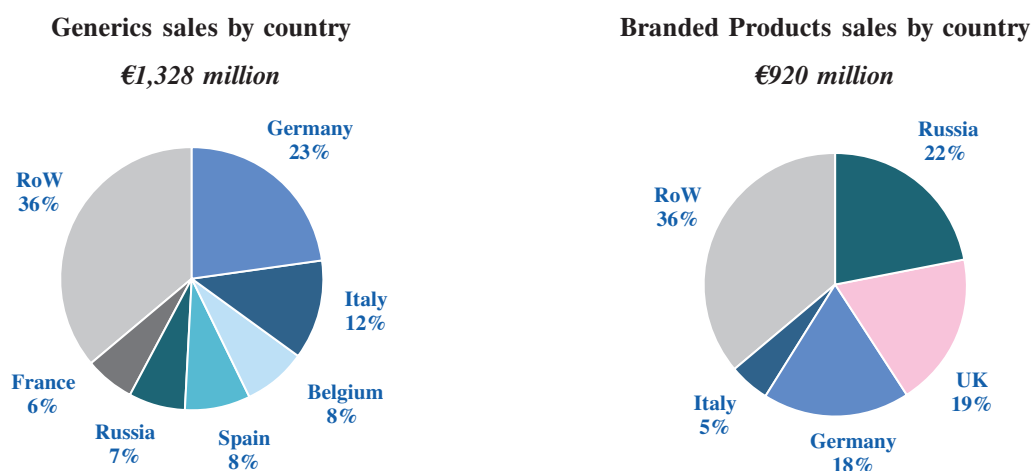
*The following summary contains basic information about us and this Offering and is qualified by, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum. This summary is not complete and does not contain all the information that you should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

### Overview

We are a leading international healthcare and pharmaceuticals company focused on branded and unbranded generics, and have a successful track record spanning over 120 years. With more than 18,000 SKUs covering a large number of therapeutic areas, we develop, manufacture and market a diversified product portfolio including many category leaders. We distribute our products in approximately 125 countries, and have a direct presence in all major European markets, as well as in growth markets in the MENA region, Asia, South America and Australia.

We are the fourth-largest generics company by sales in Europe as of September 30, 2016. Our market-leading position provides us with a competitive advantage, which is bolstered by our scale, brands, reputation and the breadth of our product portfolio, as well as our local market expertise and established distribution channels built on strong relationships with wholesalers and pharmacies. We continually work to optimize and manage our costs, including through our cost-effective manufacturing footprint comprising 19 facilities across Europe, Asia and South America. Building off our tried and tested platform, we have released on average more than 600 new products per year since 2014. Our solid pipeline of new products provides us with further opportunities as our markets grow. We have a strong track record of growth, both organically and through focused acquisitions, and seek to grow our business and further improve our profitability by internationalizing successful products. In the twelve months ended June 30, 2017, we generated sales of €2,248 million and Pro Forma Adjusted EBITDA of €534 million.

We conduct our operations through two segments: Generics and Branded Products. The graph below sets forth each segment’s sales by country for the twelve months ended June 30, 2017:



**Generics:** Through our Generics segment, we sell unbranded generics products, offering a lower-cost alternative to the substantially more expensive pharmaceutical originator products. Most of the products in our Generics segment require a prescription for purchase and are only available from pharmacies and hospitals. The market for prescription products is generally characterized by regulated pricing, with competition driven by reliability of supply and cost competitiveness. Patent expiries of originator drugs feed our product pipeline in the Generics segment, allowing us to leverage our distribution channels and local market knowledge to launch new generics products. The product portfolio in our Generics segment is diversified, with the top ten products accounting for only 17% of sales in our Generics segment for the year ended December 31, 2016. The top-five selling products (and their respective therapeutic areas) in our Generics segment for the year ended December 31, 2016, were: Tilidine Naloxone (pain relief), Atorvastatin (cholesterol), Pantoprazol (gastric ulcers/reflux), Epoetin zeta (anemia) and Diclofenac (pain

relief/inflammation). The largest countries by sales in our Generics segment for the twelve months ended June 30, 2017, were: Germany, Italy, Belgium, Spain, Russia, France, Serbia and Vietnam. We generated sales of €1,328 million and Management Adjusted EBITDA of €286 million in our Generics segment for the twelve months ended June 30, 2017.

**Branded Products:** Our Branded Products segment primarily includes branded OTC products, which are typically available without a prescription, such as sunscreens, cough and cold medicines, DNA tests, cosmetics, glucose meters and a small range of branded prescription generics. Our best-known brands include Ladival (sunscreen), Grippostad and Covonia (cough and cold) and APO-Go (Parkinson's disease). The market for products in our Branded Products segment is generally characterized by market-driven pricing, with brand strength, marketing strategy and customer loyalty important factors for success. Our portfolio of Branded Products is diversified, with the top ten products accounting for only 31% of sales in our Branded Products segment for the year ended December 31, 2016. The top-five selling brands (and their respective therapeutic areas, prescription requirements and markets in which they are sold) in our Branded Products segment for the year ended December 31, 2016, were: APO-Go (Parkinson's disease, prescription required, available in 31 countries), Grippostad (colds, OTC, available in 29 countries), Snup (rhinitis, OTC, available in 18 countries), Fultium (vitamin D deficiency, OTC, available in two countries) and Vitaprost (prostate disease, OTC, available in two countries). The largest countries by sales in our Branded Products segment for the twelve months ended June 30, 2017, were: Russia, the United Kingdom, Germany, Italy and Vietnam. We generated sales of €920 million and Management Adjusted EBITDA of €214 million in our Branded Products segment for the twelve months ended June 30, 2017.

## **Our Strengths**

### ***Organic Growth Underpinned by Attractive Market Fundamentals***

Increasing demand for our Generics and Branded Products is driven by global growth factors in the pharmaceutical industry, including population growth, aging societies, increased incidence of chronic disease, advances in medical therapies and increasing self-medication and health awareness. According to Quintiles IMS, the global generics market is expected to grow at a CAGR of 8% from 2017 to 2021, driven by these growth trends and increasing generics penetration. Generics penetration in the market for prescription products is partly driven by cost-containment regulation that incentivizes the use of generics to counteract the increasing cost pressure facing government-sponsored health programs. Another key driver of generics penetration is patent expiries. According to publicly available estimates, a wave of patent expiries in developed markets is expected to push originator products with sales of more than \$140 billion in aggregate into the generics market between 2017 and the end of 2020.

Given that our Branded Products segment mostly consists of OTC products, growth in this segment is additionally driven by factors influencing the self-payment and self-care market for health and well-being-related products. We expect demand for self-payment and self-care products to benefit from the ongoing trend among regulators to transfer prescription drugs to OTC status, which decreases the cost burden on the public health system and expands the market opportunity for companies offering branded OTC products such as us. Additionally, demand for OTC products is expected to be driven by rising income levels and the emerging trend toward greater health awareness, which we believe results from ongoing research on disease prevention, data access and increasing levels of education. According to Quintiles IMS, the global OTC market is projected to grow at a CAGR of 5% from 2017 to 2021.

### ***Well-Established Generics Player with Leading Positions in Our Generics Segment and an Attractive Portfolio in Our Branded Products Segment***

We are the fourth-largest generics company by sales in Europe as of September 30, 2016. In our Generics segment, based on Quintiles IMS data, we hold a top-three market share in generics sales for the year ended December 31, 2016, in Germany, Russia, Spain and Belgium, and are the fourth-largest player in Italy. Even though these markets are generally considered mature, there is significant room for increased penetration and further growth in generics in these markets—for example, according to Quintiles IMS, generics penetration is below 50% in Italy and Belgium, below 65% in Spain and below 75% in France, and the generics industry in Germany, Spain and Russia is expected to increase by a CAGR of 5%, 5% and 6% from 2017 to 2021, respectively. Continued growth in the generics industry in countries where we are already market-leaders provides us an opportunity to continue to grow sales in our Generics segment.

We also benefit from an attractive portfolio of products in our Branded Products segment, including the category-leading therapies for cough and cold, sun protection, vitamin deficiency and many leading brands across therapeutic areas in Germany, the United Kingdom, Russia and other countries. For the year ended December 31, 2016, more than two-thirds of sales of our top-30 products in our Branded Products segment were of products with a top-three market position in their respective countries. Many of these leading products have been category leaders in their respective markets for many years, providing us with an opportunity to leverage our local marketing expertise to drive the internationalization of these leading brands into new markets and further grow sales in our Branded Products segment.

#### ***Competitive Advantage Through Scale, Local Market Expertise and Established Relationships***

Our market-leading position provides us with a competitive advantage over any new entrants in our markets, bolstered by our scale and the breadth of our product portfolio, as well as our local market expertise and established distribution channels built on strong relationships with wholesalers and pharmacies.

The sale and distribution of pharmaceutical products such as branded and unbranded generics is regulated in most countries. Because such regulatory regimes are highly-fragmented, competitors trying to enter a new market have to navigate a variety of complex regulatory requirements, tender and reimbursement regimes and distribution channels. This provides an advantage to existing, large scale players with a long history of local expertise, such as us. We are highly familiar with the regulatory requirements in our key markets and have developed leading expertise in dealing with regulatory and distribution issues, which enables us to minimize the time and cost required to obtain regulatory product approvals while maximizing the number of countries we cover.

Germany, for example, operates a public tender system that covers the majority of prescription generics sales, which necessitates a modestly sized sales team with significant tender experience. In Russia, on the other hand, the distribution of prescription generics products is mostly patient-driven after the first prescription, which significantly increases the need for a larger sales force targeting patients indirectly via doctors. Our local market experience means that we are adept at navigating these and other regimes and able to serve each market with a tailored sales and distribution approach. Building on our long history and our origins as a pharmacy cooperative, we have developed deeply-ingrained relationships with the key distribution channels in our markets, which we believe are difficult to replicate. Our sales forces are trained and experienced in identifying the right marketing strategy in each country, and we maintain a direct sales presence in more than 30 countries, which allows us to stay close to our customers and distributors and internationalize successful brands.

#### ***Diversified Across Geographies, Therapeutic Areas, Products and Brands***

We are diversified across geographic markets, products, therapeutic areas, customers and suppliers. We market our products in approximately 125 countries with largely uncorrelated end-markets, with our five largest markets in our Generics segment accounting for 58% of our sales and our five largest markets in our Branded Products segment accounting for 68% of sales in their respective segments, in each case for the twelve months ended June 30, 2017.

With more than 18,000 SKUs, we offer a highly-diversified product portfolio and are not dependent on the success of any single product. In the year ended December 31, 2016, the top ten products by sales in our Generics segment accounted for only 17% of Generics sales, and the top ten products in the Branded Products segment accounted for only 31% of Branded Products sales. Our product offering is diversified across a large number of therapeutic areas and benefits from a high rate of new product launches, with a strong pipeline for the next four to five years.

The combination of our Generics and Branded Products segments provides us with significant benefits in terms of diversification and synergies. The pricing of prescription generics is regulated, and volume demand is relatively independent of economic conditions, such that our Generics business has historically delivered strong and stable sales and cash generation. Our Branded Products segment, on the other hand, faces fewer regulatory requirements. OTC products can be brought to the market more quickly, and pricing is unregulated and driven by competition. As a result, our highly-recognizable brands, customer loyalty and the lack of competition in certain specialty areas provide for attractive pricing for products in our Branded Products segment. Moreover, our scale and local market expertise allow us to respond relatively quickly to emerging consumer trends. Our presence in both segments allows us to deepen our

local market expertise and regulatory know-how, exploit economies of scale in production, packaging and marketing and maintain our long-standing relationships with our distribution channels.

#### ***Diversified and Efficient Manufacturing Footprint Across the Globe***

We have a cost-effective manufacturing footprint that is diversified across 19 manufacturing sites. Our own production facilities account for approximately 70% of our sales, with the balance being outsourced. Furthermore, approximately 75% of our in-house production volume is manufactured in lower-cost countries in Eastern Europe, Asia and South America. This provides us with a relatively low-cost and highly flexible production base.

Our manufacturing sites are regularly audited and certified by supervisory bodies, with 14 of our sites being accredited under stringent EU standards. Moreover, local production helps provide a natural hedge for currency fluctuations and regulatory restrictions, and at times is an advantage in the marketing of products in certain countries. We continuously seek to improve and manage our costs in order to increase our margins and potential for growth and stable cash flows, and we intend to further streamline and improve certain aspects of our manufacturing operations.

#### ***Attractive Financial Profile with Strong Cash Flow Generation***

We have a stable underlying business that has delivered consistent sales growth and resulted in high cash flow generation in recent years. Our constant-currency sales increased at a CAGR of 4% from December 31, 2014 to June 30, 2017. We had Cash Conversion of 83%, 74% and 76% for the years ended December 31, 2014, 2015 and 2016, respectively. While our Management Adjusted EBITDA margins have been relatively stable (21%, 18%, 19% and 19% for the years ended December 31, 2014, 2015 and 2016 and the twelve months ended June 30, 2017, respectively), we see significant upside in our ability to drive cost savings and increase our margins, which we believe can be further improved. Pro forma for the cost savings we expect to realize by the end of 2018, our Pro Forma Adjusted EBITDA margin for the twelve months ended June 30, 2017, was 23%. Our business has significant operating leverage and low ongoing liquidity requirements. We have historically experienced only modest seasonal net working capital movements, and management has maintained a high degree of discipline around capital expenditures. As a company focused on generics, we typically incur limited development expenses and no material research expenses.

#### ***Highly Committed Sponsors with Key Management Support***

We intend to draw from the market expertise, business relationships, knowledge and experience of our Sponsors, Bain Capital and Cinven. Both our Sponsors have strong healthcare expertise and an extensive and successful track record of investing in companies in the healthcare sector. For example, Bain Capital increased sales by 49% within two years and significantly increased the workforce at Bio Products Laboratory, creating a life sciences champion in the United Kingdom, while Cinven combined two large laboratory diagnostics companies, Synlab (Germany) and Labco (France), at the end of 2015, to form Synlab Group (headquartered in Germany), the new European champion in laboratory diagnostics. In addition, Cinven in 2012 invested in Mercury Pharma and Amdipharm and merged the two businesses to create AMCo, a major player in the fragmented generics market in the United Kingdom. Cinven's strategy centered on continued buy and build, further internationalization and applying best practice across both companies, and resulted in AMCo's sale to TSX/Nasdaq-listed Concordia Healthcare Corp for £2.3 billion in 2015. Both Sponsors also have a strong track record of driving cost savings and improvements in margin, while at the same time growing their portfolio companies both organically and through targeted acquisitions.

In addition, the Sponsors have announced their intention to appoint Dr. Claudio Albrecht as new chief executive officer and Mr. Mark Keatley as new chief financial officer of STADA, following the reconstitution of the Target's supervisory board (the "Supervisory Board"). Both Dr. Albrecht and Mr. Keatley have significant experience in the global generics industry, where they have led highly successful growth strategies at major corporations. Dr. Albrecht was chief executive officer and chairman of generics company Actavis Group until its sale to Watson in 2012. Under his leadership, Actavis grew its revenues to more than €2 billion and expanded its international footprint significantly. Previously, he had been chief executive officer of Ratiopharm Group, having started his career in the generics business of Sandoz. Mr. Keatley served as chief financial officer of Actavis Group until its sale in 2012. He also has strong expertise in managing growth and transformation strategies in the generics industry and beyond.



Previously he was chief financial officer of Famar, a European contract manufacturer for the healthcare industry. He has also worked in medical diagnostic services, investment banking and private equity. Dr. Albrecht and Mr. Keatley have most recently worked at Albrecht, Prock & Partners, a global strategy consulting firm with a focus on the pharmaceutical and healthcare industry. There, they advised on multiple major engagements in the generics and broader healthcare sector, including supporting Bain Capital and Cinven during the due diligence process in connection with the Takeover Offer. Dr. Albrecht is expected to lead STADA's transition under its new majority owners in the short-to-medium term and to assume a non-executive leadership role in due course, once a new CEO has been recruited who will lead STADA in the long term. See “—Recent Developments.”

In the interim, we expect to benefit from the significant industry experience and expertise of our interim CEO Mr. Engelbert Coster Tjeenk Willink, a 25-year veteran of the pharmaceutical industry, and our interim CFO Dr. Bernhard Düttmann, previously CFO of two DAX-listed companies, as they guide the Target together with the Supervisory Board through the current phase of the Target's transition. Chief technical operations officer, Dr. Barthold Piening, previously chief operating officer at Acino International, will also continue in his role on the Target's executive board (the “Executive Board”). The Target also continues to benefit from its deep bench of operational management, which will continue to bring to bear its deep local experience with global scale and expertise.

### **Our Strategy**

We and the Sponsors have developed the following strategies:

#### ***Maintain and Grow Market Leading Positions by Leveraging Scale, Highly-Recognizable Brands and Industry Growth Factors***

As an established market leader, we intend to continue to use our scale and highly-recognizable brands to reinforce and grow our leading market positions in the key countries and categories in which we operate. We believe that we are well-positioned to benefit from global growth factors in the pharmaceutical industry, and as a large player highly diversified across geographies, products and brands and production, we intend to continue to leverage our scale and broad local expertise to support our base business, improve our margins and expand our geographic footprints along with the markets in which we operate.

#### ***Continue to Grow Our Business, Including by Internationalizing Successful Brands in Our Branded Products Segment***

The products in our Generics segment comprise our core business, providing us with a stable sales base and strong cash generation. We see significant potential to expand sales growth in this segment by expanding in markets with relatively low penetration rates and supplementing our existing portfolio with biosimilars, while also benefiting from global growth trends in the pharmaceutical industry.

At the same time, we intend to build on our key brands and to grow our Branded Products segment by strengthening our market shares in our existing geographies and introducing our local category leaders into new, international markets. Our intention is to continue to gradually increase the percentage of sales and EBITDA generated by our Branded Products segment. In addition, we plan to continue developing products for specialty areas, which tend to benefit from attractive pricing, to further expand the scope and improve the profitability of our Branded Products segment. We also intend to selectively explore acquisitions that provide attractive opportunities to grow.

#### ***Increase Profitability by Continuing and Expanding Upon Management's Strategic Cost Savings Initiatives***

Our management has devised, and the Sponsors intend to continue and expand upon the implementation of, certain cost savings initiatives from which we expect to derive significant cost savings and improve our margins. By the end of the year 2018, we expect run-rate annualized savings of approximately €82 million per year to arise from these cost savings initiatives. In terms of cost of sales, management has put in place initiatives to improve direct product procurement by renegotiating supply contracts with our highly fragmented supply base and to create operational improvements in manufacturing through insourcing certain third-party manufactured products and streamlining product lines, while also improving our supply chain setup and organization through hub, route and order size optimization. To achieve these cost savings we intend to create technology centers of excellence, roll out an operating expense / lean project management program and reduce our SKU complexity. For general and administrative expenses, we believe we can achieve cost savings by unifying our IT landscape across our footprint through consolidating



IT systems and contracts, reducing non-personnel general and administrative spending and optimizing advisory and supervisory board costs, while also optimizing our sales force structures by streamlining our legal entities. We expect to incur €70 million in upfront costs to achieve these cost saving initiatives.

### ***Maintain Financial Discipline to Support Deleveraging***

We intend to maintain a high focus on continuing improvement in cash flows, supported by, among other things, rapid EBITDA growth resulting from management's and the Sponsors' cost savings initiatives on top of global growth trends in the pharmaceutical industry. For our business, which benefits from significant operating leverage and low ongoing liquidity requirements, we intend to maintain discipline in capital expenditures broadly in line with historical capital expenditures. We expect improved cash flows and discipline in capital expenditures to provide a strong liquidity cushion for our ongoing business needs, which will be further bolstered by our €400 million Revolving Credit Facility and the long-dated maturity profile of our other debt. In terms of risk management, we are partly naturally hedged for transaction currency fluctuations where our production facilities are located in the same country as the end consumer, but we also intend to continue to implement exchange rate hedging policies through natural hedge strategies and derivatives. As a result, we believe that the successful execution of our strategies will allow us to progressively de-lever and further improve cash flow generation. Notwithstanding our intention to de-lever and our focus on organic growth, we also intend to selectively consider acquisition opportunities as and when they arise.

## **The Transactions**

### ***The Acquisition***

On July 19, 2017, the Senior Secured Notes Issuer, a holding company controlled by Bain Capital and Cinven, published the terms of a revised, all-cash voluntary public tender offer (*freiwilliges Übernahmeangebot*) (the "Takeover Offer") for all common shares in STADA. Under the terms of the Takeover Offer, all shareholders of the Target (the "STADA shareholders") who accepted and tendered their shares in the Takeover Offer received cash consideration equal to €66.25 per share (the "Offer Price"). At the time the Takeover Offer was announced, the Offer Price implied an equity value of the Target equal to approximately €4.1 billion, plus the dividend in respect of the 2016 fiscal year, and an enterprise value equal to approximately €5.3 billion. Following their analysis of the terms of the Takeover Offer, the Executive Board and Supervisory Board of the Target declared their support for the Takeover Offer and entered into an investment agreement, setting forth the principal terms and conditions of the Acquisition and the Takeover Offer. The Takeover Offer was subject to certain conditions, including acceptance by the holders of at least 63% of STADA's issued and outstanding common shares (the "Minimum Acceptance Threshold") by the end of the initial acceptance period, which expired on August 16, 2017. In accordance with German statutory law, STADA shareholders subsequently had the opportunity to accept the Takeover Offer within an additional acceptance period, which expired on September 1, 2017.

When the initial acceptance period expired, holders of approximately 64% of the Target's issued and outstanding common shares had accepted the Takeover Offer, and consequently the Minimum Acceptance Threshold was satisfied. On August 22, 2017 (the "First Settlement Date"), the first settlement under the Takeover Offer occurred, and the Senior Secured Notes Issuer acquired approximately 64% of the issued and outstanding common shares in the Target. On August 25, 2017, the Senior Secured Notes Issuer incorporated German Holdco as its wholly owned subsidiary and contributed all of the Target shares held by it as of this date to German Holdco. On September 1, 2017, the additional acceptance period expired, with holders of approximately 0.1% of the Target's issued and outstanding common shares having tendered their shares during the additional acceptance period. The Senior Secured Notes Issuer acquired such additional shares and also contributed them to German Holdco. On or about the First Settlement Date, the Senior Secured Notes Issuer and German Holdco have purchased, and may continue to purchase in the future, additional Target shares in the open market or otherwise. Any such additional purchases of Target shares have been, and may be in the future, financed with the proceeds from drawings under the Term Loan B Facility and, on an interim basis, the Revolving Credit Facility.

STADA's annual shareholders meeting (the "AGM") was held on August 30, 2017, and approved the dividend in respect of the 2016 fiscal year. Any STADA shareholder that tendered its shares during the initial acceptance period did not receive any dividend from the Target in respect of the 2016 fiscal year but received the full Offer Price in cash from the Senior Secured Notes Issuer. Any shareholder that tendered its shares during the additional acceptance period received €0.72 per share by way of a dividend from the Target and €65.53 per share as residual Offer Price from the Senior Secured Notes Issuer.

As of June 30, 2017, the Target Group had Existing Debt with a book value of €1,432 million. A portion of such Existing Debt in a principal amount equal to €1,380 million (and with a book value of €1,376 million as of June 30, 2017) has become prepayable at the option of the holders and lenders in respect thereof, as the Acquisition triggered their right to exercise a change of control put right at par within approximately 142 days following the First Settlement Date. The residual amount of Existing Debt with a book value of €56 million, which does not provide for a change of control put right, is prepayable at STADA's option. The aggregate principal amount of Existing Debt that is prepayable at STADA's option, including both instruments with and without a change of control put right, is equal to €315 million (and a book value of €315 million as of June 30, 2017). As a result, subject to the proportion of holders and lenders who exercise their change of control put right and the amount STADA decides to refinance in its discretion, up to the entire amount of the Existing Debt (with a book value of €1,432 million and an aggregate principal amount €1,436 million) may be refinanced in connection with the Transactions. We may determine (or, prior to the Control Date, the Executive Board may determine) that the Existing Debt at the Target should remain outstanding and not be refinanced with drawings under the Term Loan B Facility or cash available to the Target. Prior to the Control Date, any such Existing Debt at the Target that remains outstanding will be structurally senior to the obligations under the Notes. After the Control Date, any remaining Existing Debt at the Target may share in the Senior Secured Notes Collateral by operation of the negative pledges in favor of the lenders under such Existing Debt. See “*Description of Certain Financing Arrangements.*”

The funding sources for the Acquisition, the repayment or refinancing of the Existing Debt, and related fees and expenses consist of proceeds from the following sources:

- equity contributions from Bain Capital and Cinven in the form of equity and quasi equity (including common and preferred equity instruments and deeply subordinated shareholder loans) totaling an estimated €2,850 million, the proceeds of which have been or will be contributed to the Senior Notes Issuer through intermediate holding companies (the “Equity Contributions”);
- drawings by the Senior Secured Notes Issuer under the Term Loan B Facility in an aggregate amount of up to €1,700 million (equivalent) and the Revolving Credit Facility in an aggregate amount of up to €400 million;
- cash and cash equivalents of the Target Group, which, as of June 30, 2017, amounted to €321 million; and
- drawings under the Senior Secured Bridge Facility and the Senior Unsecured Bridge Facility which will be refinanced with the proceeds from the offering of the Notes. See “—*The Refinancing.*”

The notional sources and uses necessary to consummate the Acquisition and to repay or refinance the Existing Debt are shown in the table below. Both the funding sources described above and the sources and uses shown below assume that we have acquired 100% of the issued and outstanding common shares in the Target and that all of the Existing Debt has been refinanced. To the extent that less than 100% of the shares in the Target are acquired or less than all of the Existing Debt is refinanced in connection with the Acquisition, the amount drawn under the Term Loan B Facility and the amount of the Equity Contribution will be reduced proportionately. To the extent that shares in the Target are subsequently purchased in the open market or otherwise at a price higher than the notional price of €74.40 per share assumed below, the proportion of indebtedness and equity sources used to fund the purchase of shares will differ from that presented below. The Term Loan B Facility will be available for drawing from August 17, 2017 to July 10, 2018, and, prior to the end of its availability period, any unutilized amounts thereunder may be drawn into an escrow account for use after the availability period. See “*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement—Overview and Structure—Availability.*” Actual amounts will vary from the notional amounts presented here depending on several factors, including those described above and differences from our estimates of fees and expenses.

<u>Sources of Funds</u>		<u>Uses of Funds</u>	
	(€ million)		(€ million)
Equity Contribution <sup>(1)</sup> . . . . .	2,850	Purchase price for Target shares <sup>(6)</sup> . . . . .	4,324
Senior Secured Bridge Facility <sup>(2)</sup> . . . . .	485	Refinancing of Existing Debt <sup>(7)</sup> . . . . .	1,432
Senior Unsecured Bridge Facility <sup>(2)</sup> . . . . .	340	Transaction costs <sup>(8)</sup> . . . . .	183
Term Loan B Facility (equivalent) <sup>(3)</sup> . . . . .	1,700	Cash overfund at the Issuers <sup>(9)</sup> . . . . .	7
Portion of Senior Secured Notes Proceeds <sup>(4)</sup> . . . . .	250		
Target cash and cash equivalents <sup>(5)</sup> . . . . .	321		
<b>Total sources</b> . . . . .	<b><u>5,946</u></b>	<b>Total uses</b> . . . . .	<b><u>5,946</u></b>

- (1) Represents an estimate of the Equity Contribution required to satisfy the uses based on the assumptions stated below which is subject to change to the extent such assumptions change. As of September 22, 2017, the Senior Notes Issuer had received Equity Contributions in the amount of €1,612 million.
- (2) The drawings under the Senior Secured Bridge Facility and Senior Unsecured Bridge Facility were initially used in connection with the acquisition of Target shares on the First Settlement Date. A portion of the proceeds from the offering of the Senior Secured Notes and the proceeds from the offering of the Senior Notes will be used to refinance amounts drawn under the Senior Secured Bridge Facility and Senior Unsecured Bridge Facility, respectively. See “—*The Refinancing.*”
- (3) Represents the gross proceeds from the Term Loan B Facility, subject to the assumptions stated below. The Term Loan B Facility will be available for drawing until July 10, 2018, and, prior to the end of its availability period, any unutilized amounts thereunder may be drawn into an escrow account for use after the availability period. The Term Loan B Facility includes a euro-denominated tranche in an initial principal amount of €1,400 million, and €300 million (equivalent) as a pounds sterling-denominated tranche. The Senior Secured Credit Facilities Agreement also provides for the Revolving Credit Facility in an amount of €400 million and an uncommitted incremental facility. Utilizations of the Term Loan B Facility are subject to a maximum leverage condition. The commitments under the Term Loan B Facility may be cancelled in part to the extent that less than 100% of the Target shares are acquired or less than 100% of the Existing Debt is refinanced. As of September 22, 2017, the Term Loan B Facility has been drawn in an amount of €250 million, and the Revolving Credit Facility has been drawn in an amount of €37 million. It is expected that within 35 days of the relevant drawings under the Revolving Credit Facilities, €23.6 million of the amounts drawn under the Revolving Credit Facility will be refinanced with drawings under the Term Loan B Facility and €4.4 million of the amounts drawn under the Revolving Credit Facility will be refinanced through a combination of a drawing under the Term Loan B Facility and additional equity investments. See “*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement.*”
- (4) Represents a portion of the Senior Secured Notes deposited into a secured account for the purposes set forth under footnote (1) to the table under “—*The Refinancing.*”
- (5) Represents the Target’s cash and cash equivalents as of June 30, 2017, and assumes that such cash and cash equivalents will be available to refinance the Existing Debt.
- (6) Represents the aggregate purchase price for STADA’s 62,258,129 issued and outstanding common shares (giving effect to the 84,311 common shares currently being held in treasury) and assuming (i) a purchase price per share equal to the Offer Price in respect of 64% of the Target’s issued and outstanding common shares and (ii) for illustrative purposes, a purchase price per share equal to €74.40 in respect of the balance of issued and outstanding common shares. On September 3, 2017, the Senior Secured Notes Issuer announced that it would propose to the Executive Board and Supervisory Board as part of the negotiations of a domination and profit and loss transfer agreement (“DPLTA”) to offer STADA’s minority shareholders cash compensation of €74.40 per share and to vote in favor of a DPLTA on such terms in any extraordinary general meeting of STADA. The Senior Secured Notes Issuer and German Holdco also purchased 1.4% of the Target’s issued and outstanding common shares in the open market as of September 22, 2017, and as of such date Senior Secured Notes Issuer holds directly or indirectly 65% of the Target’s issued and outstanding common shares.

- (7) Assumes that all of the Existing Debt will be refinanced at par in connection with the Acquisition.
- (8) Represents estimated fees and expenses associated with the Refinancing, including commitment, underwriting, arranging, placement, original issue discount, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees. These fees and expenses have been estimated as of the date of this offering memorandum and are subject to change. Refinancing costs exclude accrued but unpaid interest on the Bridge Facilities to, but excluding, the Issue Date that will be paid upon consummation of the Refinancing. Additional expenses in connection with Transactions other than the Refinancing were paid by the Issuers and the Target and are excluded from this presentation. The Issuers funded such expenses using proceeds from the Bridge Facilities, the Senior Secured Credit Facilities and the Equity Contributions.
- (9) As of September 22, 2017, an amount equal to €7 million in aggregate was retained by the Issuers in connection with the Acquisition. A portion of such amount will be used to pay refinancing costs in connection with the Refinancing. See “*The Refinancing.*”

Prior to the Control Date, German Holdco has influence on the appointment and removal of Supervisory Board members of the Target through the shareholder meeting. The Supervisory Board has the power to appoint and remove the members of the Executive Board. Therefore, German Holdco has indirect influence but will not have direct control over the Executive Board. The Executive Board will be required prior to the Control Date to manage the Target under its own responsibility and in a manner that is in the best interests of the Target. As a result, pursuant to German statutory law, the majority shareholder may not exercise its influence to cause the Target to undertake a measure disadvantageous to minority shareholders unless this is permitted pursuant to German statutory law and compensation is paid to the minority shareholders by the majority shareholder in accordance with German statutory law. See “*Risk Factors—Risks Relating to the Acquisition—The Senior Secured Notes Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.*”

On August 24, 2017, the Senior Secured Notes Issuer announced that, following the settlement of the Takeover Offer, it intends to enter into a DPLTA pursuant to Section 291(1) of the German Stock Corporations Act (*Aktiengesetz*) between STADA as dominated company and profit transferor and the Senior Secured Notes Issuer or one of its affiliates as dominating company and profit transferee.

Under the DPLTA, the Senior Secured Notes Issuer or one of its affiliates would be entitled to:

- instruct the Executive Board even if such instructions are not in the best interest of the Target (for example, to cause the Target Group to grant upstream guarantees or transfer intellectual property and to push down indebtedness into the Target Group); and
- receive 100% of the Target’s distributable profits in any year regardless of its shareholding in the Target, provided that it also balances any annual losses of the Target.

Upon registration of a DPLTA, the dominating company will be required to offer to any minority shareholders the election to either (i) put their shares in exchange for adequate compensation (the amount of which is determined in accordance with German law) or (ii) receive a guaranteed annual payment (the amount of which is determined in accordance with German law) from the dominating company. Both the amount of the adequate compensation payment and the guaranteed annual payment may be contested by minority shareholders in appraisal proceedings, though the DPLTA would still take effect regardless of ongoing appraisal proceedings. See “*Risk Factors—Risks Relating to the Acquisition—The Senior Secured Notes Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.*”

In addition, the Senior Secured Notes Issuer intends to de-list the Target shares in the medium-to long-term to the extent permitted by law.

Under German corporate law, implementation of a DPLTA requires approval by a supermajority of 75% of the share capital represented at the shareholder meeting. As of September 22, 2017, the Senior Secured Notes Issuer holds directly or indirectly through German Holdco 65% of the Target’s issued and outstanding common shares. On August 31, 2017, Elliott Associates L.P. and Elliott International L.P. together with affiliated entities (“Elliott”) announced that Elliott would only support a DPLTA between STADA and the Senior Secured Notes Issuer or any of its subsidiaries with all of Elliott’s current and future Target shares if the compensation for minority shareholders pursuant to section 305 para 1 of the German Stock Corporation Act (*Aktiengesetz*) set forth in the published resolution proposal regarding such agreement amounted to not less than €74.40 per share. See “*Principal Shareholders.*” There can be no assurances that a DPLTA will be implemented, either at all or on the terms proposed by the Senior Secured Notes Issuer. See “*Risk Factors—Risks Relating to the Acquisition—We do not, and may not in the future, own all of the outstanding common shares in the Target, and there can be no assurance that a DPLTA will be approved and/or the Target’s shares will be delisted.*”

## The Refinancing

In connection with the Acquisition, the Issuers entered into the Bridge Facilities Agreements, which provide for the €485 million Senior Secured Bridge Facility and the €340 million Senior Unsecured Bridge Facility. The Senior Notes Issuer loaned the proceeds of the Unsecured Bridge Facility to the Senior Secured Notes Issuer through an intercompany loan, and the Senior Secured Notes Issuer used the proceeds from such intercompany loan, the proceeds of the Senior Secured Bridge Facility, the Equity Contributions from Bain Capital and Cinven and drawings under the Term Loan B Facility, to finance its acquisition of the STADA shares offered pursuant to the Takeover Offer and to pay certain costs and expenses in connection therewith.

A portion of the proceeds from the offering of the Senior Secured Notes and the proceeds from the offering of the Senior Notes will be used together with cash on hand at the Issuers to refinance amounts that were incurred under the Bridge Facilities and to pay the costs, fees and expenses incurred in connection with the offering of the Notes, and a portion of the proceeds from the offering of the Senior Secured Notes will be deposited into a secured account for future utilization, as described below.

The estimated sources and uses necessary to consummate the Refinancing are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses. The presentation of sources and uses below excludes accrued but unpaid interest on the Bridge Facilities to, but excluding, the Issue Date that will be paid upon consummation of the Refinancing in an amount of €3 million.

Sources of Funds		Uses of Funds	
	(€ million)		(€ million)
Senior Secured Notes offered hereby . .	735	Repayment of Senior Secured Bridge Facility . . .	485
Senior Notes offered hereby . . . . .	340	Deposit into Secured Account <sup>(1)</sup> . . . . .	246
Cash on hand at the Issuers . . . . .	5	Repayment of Senior Unsecured Bridge Facility .	340
		Refinancing costs <sup>(2)</sup> . . . . .	9
<b>Total sources . . . . .</b>	<b>1,080</b>	<b>Total uses . . . . .</b>	<b>1,080</b>

(1) Represents a portion of the proceeds of the Senior Secured Notes deposited into a segregated bank account held by the Senior Secured Notes Issuer, and pledged in favor of the Senior Secured Notes and the Senior Secured Credit Facilities, which may be drawn from such account by the Senior Secured Notes Issuer prior to the earlier of August 21, 2020 and the Control Entry Date (as defined under “Description of the Senior Secured Notes—Certain Definitions”) for the same purposes as those permitted for drawings under, and pro rata for drawings under, the TLB1 and TLB2 (as described under “Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement—Overview and Structure”) and, thereafter, for general corporate purposes.

(2) Represents estimated fees and expenses associated with the Refinancing, including commitment, underwriting, arranging, placement, original issue discount, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees. These fees and expenses have been estimated as of the date of this offering memorandum and are subject to change. Refinancing costs exclude accrued but unpaid interest on the Bridge Facilities to, but excluding, the Issue Date that will be paid upon consummation of the Refinancing in an amount of €3 million. Additional expenses in connection with Transactions other than the Refinancing were paid by the Issuers and the Target and are excluded from this presentation. The Issuers funded such expenses using proceeds from the Bridge Facilities, the Senior Secured Credit Facilities and the Equity Contributions.

## The Issuers

The Senior Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany. The Senior Notes Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Senior Notes Issuer is indirectly controlled by the Sponsors. The Senior Notes Issuer is registered with the commercial register of the district court of Munich under the number HRB 231527. The Senior Notes Issuer’s principal business address will be c/o Intertrust (Deutschland) GmbH, Grüneburgweg 58-62, 60322 Frankfurt am Main, Germany.

The Senior Secured Notes Issuer is a public limited liability company (*Aktiengesellschaft*) organized under the laws of Germany. As of the date of this offering memorandum, the Senior Secured Notes Issuer is a wholly owned subsidiary of the Senior Notes Issuer, has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Senior Secured Notes Issuer is indirectly controlled by the Sponsors. The Senior Secured Notes Issuer is registered with the commercial register of the district court of Munich under the number HRB 231228.



The Senior Secured Notes Issuer's principal business address will be c/o Intertrust (Deutschland) GmbH, Grüneburgweg 58-62, 60322 Frankfurt am Main, Germany. We expect that the Senior Secured Notes Issuer will be converted into a limited liability company (*Gesellschaft mit beschränkter Haftung*) on or about the Issue Date.

## **Our Principal Shareholders**

### ***Bain Capital***

Bain Capital is a leading global private investment firm which advises and manages capital across several asset classes, including private equity, venture capital, public equity and leveraged debt assets. Since its inception in 1984, Bain Capital and its affiliates have completed over 450 transactions in a broad range of industries, including Industrials, Financial and Business Services, Consumer & Retail, Technology, Media & Telecommunications, and Healthcare. The firm has a strong track record of investments in the Healthcare industry, including its investments in NotreDame Intermédica, CRC Health Group, Warner Chilcott, Quintiles IMS, navicure, Physio-Control, QuVa Pharma, beacon health options, Bio Products Laboratory and the joint \$34 billion take-private transaction of Hospital Corporation of America, as well as a number of market leading companies globally such as Bellsystem24, Burger King, Burlington Coat Factory, Domino's Pizza, HCA, Novacap, Samsonite, Securitas Direct and SigmaKalon. Headquartered in Boston, Bain Capital and its affiliates have offices in New York, Chicago, Palo Alto, London, Luxembourg, Munich, Hong Kong, Mumbai, Shanghai, Tokyo and Melbourne.

### ***Cinven***

Cinven is a leading international private equity firm with offices in London, Frankfurt, Guernsey, Hong Kong, Luxembourg, Madrid, Milan, New York and Paris. Since 1988, Cinven funds have invested in 120 companies and led transactions totaling approximately €90 billion. The firm's investment focus is on six key sectors: Healthcare, Business Services, Consumer, Financial Services, Industrials, and Technology, Media and Telecommunications. Cinven's investment strategy targets companies that are well-positioned in their respective markets and require an equity investment of €200 million or more. Using its long-standing experience and proven economic growth strategies (such as buy-and-build), Cinven works closely with management teams to facilitate growth and help its portfolio companies reach their full potential. Cinven has deep expertise and an extensive and successful track record of investing in the Healthcare sector, including its investments in Synlab, Bioclinica, Medpace, Amco, Sebia and Phadia.

## **Recent Developments**

### ***Findings of Report Commissioned by the Target's Supervisory Board***

As previously reported in the press, the outgoing Supervisory Board of the Target commissioned a confidential report by an external law firm to investigate the conduct of certain of the Target's former executive officers who are no longer with the Target. The report relates to whether certain immaterial agreements entered into by the Target during their tenure, and in one case the accounting treatment of such an agreement, was appropriate and in the best interests of the Target. The report did not find evidence of self-enrichment, bribery or other criminal activity. While any action taken in respect of the report remains to be determined by the Target's Supervisory Board and management, we do not expect the conduct detailed in the report, the findings of the report or any action taken in respect of the report will have a material impact on the business, operations, results or prospects of the Target.

### ***Supervisory Board***

On August 25, 2017, STADA announced that in connection with the Acquisition certain members of its Supervisory Board (including its chairman, Carl Ferdinand Oetker) have resigned from their positions with effect as of September 25, 2017. In accordance with German corporate law, the successors to the resigning members will be appointed by court order in the near term.

### ***Appointment of Interim CEO and CFO and Sponsor Announcement of Post-Control Date Managers***

On July 4, 2017, the Supervisory Board announced the appointment of Mr. Engelbert Coster Tjeenk Willink as interim chief executive officer and Dr. Bernhard Düttmann as interim chief financial officer, following the resignation of the former chief executive officer and chief financial officer. Both



appointments are on an interim basis until December 31, 2017. Dr. Barthold Piening, chief technical officer, will continue in his role on the Executive Board. See “*Management.*”

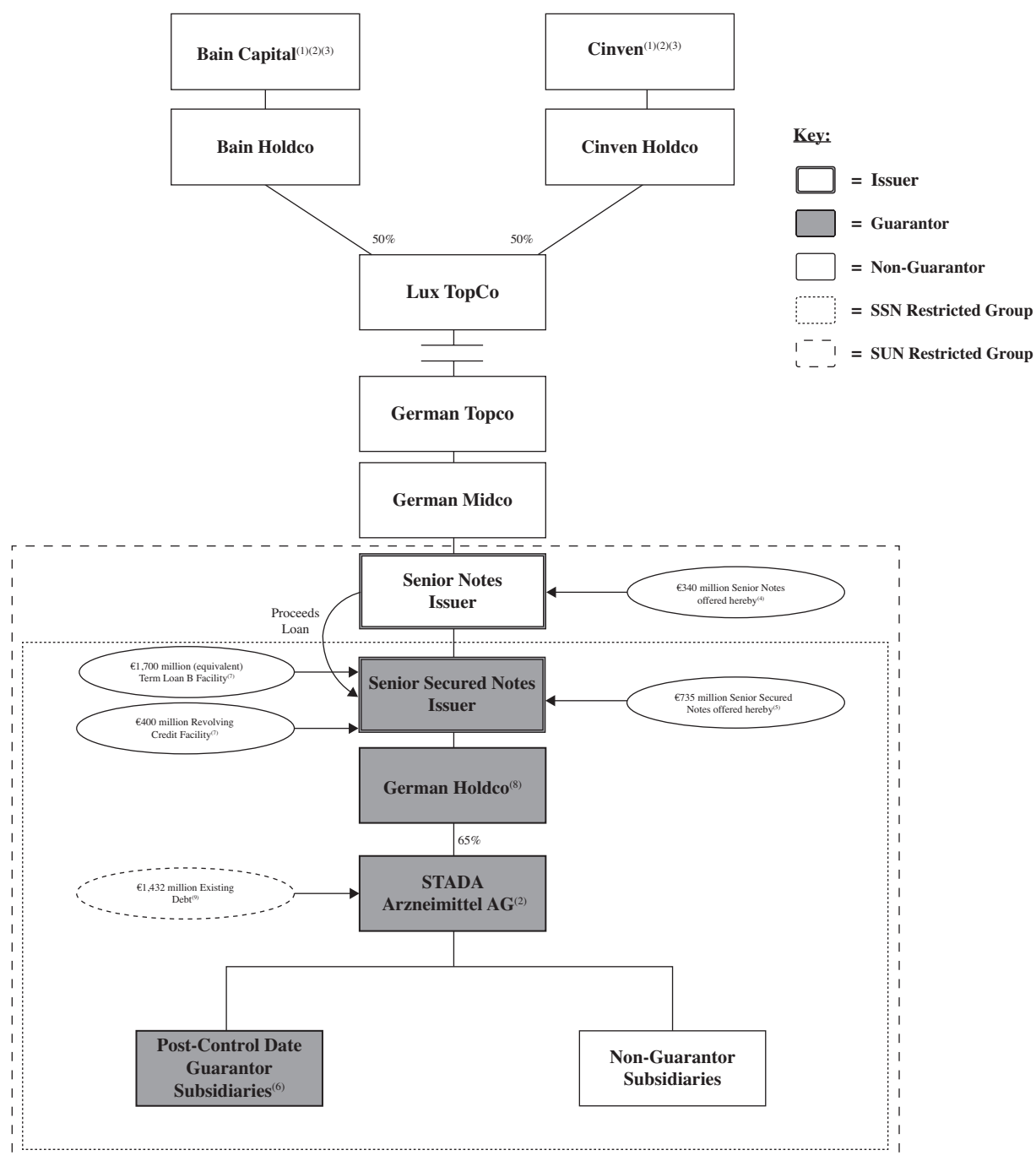
On September 1, 2017, the Sponsors have announced their intention to appoint Dr. Claudio Albrecht as new chief executive officer and Mr. Mark Keatley as new chief financial officer of STADA. While these managers have not been formally nominated or appointed to positions at the Target yet and are currently acting as consultants for the Issuers, the Sponsors intend to appoint them as soon as practicable following the reconstitution of the Supervisory Board. Dr. Albrecht is expected to lead STADA’s transition under its new majority owners in the short-to-medium term and to assume a non-executive leadership role in due course, once a new CEO has been appointed to lead STADA in the long term. See “—*Our Strengths—Highly Committed Sponsors with Key Management Support.*”

#### ***Status of Previously Disclosed Earnings Guidance***

The Target disclosed earnings guidance for the year ending December 31, 2017, and for subsequent periods, in its Group Management Report to its Annual Report. The Issuers’ expectations about the Target Group’s earnings for the year ending December 31, 2017, and subsequent periods may differ from the Target Group’s earnings guidance, particularly in light of the implementation of the Sponsors’ strategies and business plan, and therefore you should not rely on this previously-disclosed guidance when making an investment decision in regard to the Notes. The Issuers do not intend, and do not assume any obligation, to update such earnings guidance.

## SUMMARY CORPORATE AND FINANCING STRUCTURE

The following simplified chart sets forth certain aspects of our corporate and financing structure, adjusted to give effect to the Transactions and the granting of the guarantees by the Post-Control Date Guarantors. Please refer to “*Capitalization*,” “*Description of Certain Financing Arrangements*,” “*Description of the Senior Secured Notes*” and “*Description of the Senior Notes*” for more information. All entities shown below are 100% owned unless indicated. Actual amounts may vary from estimated amounts depending on several factors. The holdings of the Sponsors in Bain Holdco and Cinven Holdco include minority holdings of certain co-investors, including Partners Group AG.



(1) As of September 22, 2017, the Sponsors indirectly control (through wholly owned intermediate holding companies) 65% of the issued and outstanding common shares of the Target. See “*Principal Shareholders*.” Because the Sponsors, directly or indirectly, acquired less than 100% of the Target shares, the Target will continue to have minority shareholders and, pending the occurrence of the Control Date, the Sponsors will not be entitled to control the management of the Target.

(2) The Sponsors intend to establish a management equity plan for the benefit of the Target’s management. See “*Management—Share Ownership*.” The Target will be a Post-Control Date Guarantor. There will be significant limitations and restrictions on

the influence that the Issuers may exercise as indirect shareholders of the Target (including with respect to compliance by the Target and its subsidiaries with the covenants under the Indentures), unless and until the Control Date occurs. As a result, there can be no assurance that, prior to the Control Date, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the covenants under the Indentures had those covenants been applicable. See “*Risk Factors—Risks Relating to the Acquisition—The Senior Secured Notes Issuer does not currently control the Group and will not control the Group until the Control Date.*”

- (3) In connection with the Transactions, the Sponsors provide the Equity Contribution in the form of equity and quasi equity (including common and preferred equity instruments and deeply subordinated shareholder loans), the proceeds of which have been or will be contributed to the Senior Notes Issuer through intermediate holding companies. As of September 22, 2017, the Equity Contribution provided by the Sponsors is equal to €1,612 million.
- (4) On the Issue Date, the Senior Notes will be guaranteed by each of the Senior Secured Notes Issuer and German Holdco on a senior subordinated basis. Subject to the Agreed Security Principles, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Secured Credit Facilities or the Senior Secured Notes and (b) 120 days from the earlier of (i) the Control Date and (ii) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, the Senior Notes will additionally be guaranteed on a senior subordinated basis by each such Post-Control Date Guarantor. The Senior Notes will be general senior obligations of the Senior Notes Issuer, rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Notes Issuer that is not subordinated in right of payment to the Senior Notes, rank senior in right of payment to all existing and future indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the Senior Notes, be effectively subordinated to any existing or future indebtedness of the Senior Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Notes (including obligations under the Senior Secured Credit Facilities Agreement, the Senior Secured Notes and certain hedging obligations), to the extent of the value of the property and assets securing such indebtedness and be effectively subordinated to any existing or future indebtedness of the subsidiaries of the Senior Notes Issuer that do not guarantee the Senior Notes, including their obligations to trade creditors. Each Senior Notes Guarantee will be a general senior subordinated obligation of the relevant Senior Notes Guarantor, be subordinated in right of payment to any existing and future senior indebtedness of that Senior Notes Guarantor (including the Senior Secured Notes Guarantees, the Senior Secured Credit Facilities and certain hedging obligations), rank *pari passu* in right of payment with all existing and future subordinated indebtedness of that Senior Notes Guarantor that is not subordinated in right of payment to the Senior Note Guarantee of that Senior Notes Guarantor, rank senior in right of payment to all existing and future indebtedness of that Senior Notes Guarantor that is subordinated in right of payment to the Senior Notes Guarantee of that Senior Notes Guarantor, be effectively subordinated to any existing or future indebtedness of that Senior Notes Guarantor and its subsidiaries that is secured by property and assets that do not secure the Senior Notes (including obligations under the Senior Secured Credit Facilities Agreement, the Senior Secured Notes and certain hedging obligations), to the extent of the value of the property and assets securing such indebtedness and be structurally subordinated to any existing or future indebtedness of the subsidiaries of that Senior Notes Guarantor that do not guarantee the Senior Notes, including their obligations to trade creditors. The Senior Notes will be secured as of the Issue Date (i) on a first-priority basis by a pledge of the shares in the Senior Notes Issuer, a security assignment of any structural intercompany receivables owed by the Senior Notes Issuer to German Midco and a pledge of the material bank accounts of the Senior Notes Issuer and (ii) on a second-priority basis by security interests in the Shared Issue Date Collateral. See “—*The Offering—Collateral.*” The validity and enforceability of the Senior Notes Guarantees and the security and the liability of each Senior Notes Guarantor and security provider will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*” See also “*Risk Factors—Risks Relating to the Acquisition—We do not, and may not in the future, own all of the outstanding common shares in the Target and there can be no assurance that a DPLTA will be approved and/or the Target’s shares will be delisted*” and “—*Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*” The security interests in favor of the Senior Notes and the Senior Notes Guarantees may be released under certain circumstances.
- (5) On the Issue Date, the Senior Secured Notes will be guaranteed solely by German Holdco, the direct majority shareholder of the Target. Subject to the Agreed Security Principles, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Secured Credit Facilities and (b) 120 days from the earlier of (i) the Control Date and (ii) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, the Senior Secured Notes will additionally be guaranteed on a senior basis by each such Post-Control Date Guarantor. The Senior Secured Notes will be general senior obligations of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantees will be general senior obligations of each Senior Secured Notes Guarantor. The Senior Secured Notes and the Senior Secured Notes Guarantees will rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors that is not subordinated in right of payment to the Senior Secured Notes (including obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations), rank senior in right of payment to any existing and future indebtedness of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors that is expressly subordinated in right of payment to the Senior Secured Notes (including the Senior Notes Guarantees), be effectively subordinated to any existing or future indebtedness of the Senior Secured Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness, and be structurally subordinated to any existing or future indebtedness of the subsidiaries of the Senior Secured Notes Issuer that are not Senior Secured Notes Guarantors, including obligations to their trade creditors. On the Issue Date, the Senior Secured Notes will be secured on a first-priority basis by security interests in the Senior Secured Issue Date Collateral. In addition, within no later than 120 days from the earlier of (a) the Control Date and (b) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group, and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, the Senior Secured Notes will be secured on a first-priority basis by the Senior Secured Post-Control Date Collateral. The Senior Secured Post-Control Date Collateral will

also secure the Senior Secured Credit Facilities and certain hedging obligations on a *pari passu* basis. See “—*The Offering—Collateral*.” The validity and enforceability of the Senior Secured Notes Guarantees and the security and the liability of each Senior Secured Notes Guarantor and security provider will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*.” See also “*Risk Factors—Risks Relating to the Acquisition—We do not, and may not in the future, own all of the outstanding common shares in the Target and there can be no assurance that a DPLTA will be approved and/or the Target’s shares will be delisted*” and “—*Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*.” The security interests in favor of the Senior Secured Notes and the Senior Secured Notes Guarantees may be released under certain circumstances.

- (6) As of and for the twelve months ended June 30, 2017, the Target and its subsidiaries organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland accounted for 40% of the consolidated assets, 38% of the consolidated sales and 47% of the consolidated EBITDA of the Target Group. The validity and enforceability of the Guarantees and the security interests and the liability of each Guarantor under a Guarantee will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*.”
- (7) In connection with the Acquisition, the Senior Secured Notes Issuer entered into the Senior Secured Credit Facilities Agreement. The Senior Secured Credit Facilities Agreement provides for committed facilities of up to €2,350 million (equivalent) in the form of (i) the Term Loan B Facility in an amount of €1,700 million (equivalent) and (ii) the Revolving Credit Facility in an amount of €400 million. All of the Senior Secured Notes Guarantors will guarantee the Senior Secured Credit Facilities on a senior basis, *pari passu* with the Senior Secured Notes Guarantees and senior to the Senior Notes Guarantees. The Senior Secured Credit Facilities will be secured on a first-ranking basis as of the Issue Date by the Senior Secured Notes Collateral. See “*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement*” and “*Description of Certain Financing Arrangements—Intercreditor Agreement*.” As of September 22, 2017, the Term Loan B Facility has been drawn in an amount of €250 million and the Revolving Credit Facility has been drawn in an amount of €37 million.
- (8) On August 25, 2017, the Senior Secured Notes Issuer incorporated German Holdco as its wholly owned subsidiary and contributed all of the STADA shares held by it as of this date to German Holdco. We expect that the Senior Secured Notes Issuer will also contribute to German Holdco any additional STADA shares it may in the future purchase in the open market or otherwise. As a result, any pledge of any shares in the Target acquired by the Senior Secured Notes Issuer or German Holdco that will form part of the Senior Secured Issue Date Collateral will be granted by German Holdco.
- (9) As of June 30, 2017, the Target Group had Existing Debt with a book value of €1,432 million. A portion of such Existing Debt in a principal amount equal to €1,380 million (and with a book value of €1,376 million as of June 30, 2017) has become prepayable at the option of the holders and lenders in respect thereof, as the Acquisition triggered their right to exercise a change of control put right at par within approximately 142 days following the First Settlement Date. The residual amount of Existing Debt with a book value of €56 million, which does not provide for a change of control put right, is prepayable at STADA’s option. The aggregate principal amount of Existing Debt that is prepayable at STADA’s option, including both instruments with and without a change of control put right, is equal to €315 million (and a book value of €315 million as of June 30, 2017). As a result, subject to the proportion of holders and lenders who exercise their change of control put right and the amount STADA decides to refinance in its discretion, up to the entire amount of the Existing Debt (with a book value of €1,432 million and an aggregate principal amount €1,436 million) may be refinanced in connection with the Transactions. We may determine (or, prior to the Control Date, the Executive Board may determine) that the Existing Debt at the Target should remain outstanding and not be refinanced with drawings under the Term Loan B Facility. Prior to the Control Date, any such Existing Debt that remains outstanding will be structurally senior to the obligations under the Notes. After the Control Date, any remaining Existing Debt may share in the Senior Secured Notes Collateral by operation of the negative pledges in favor of the lenders under such Existing Debt. See “*Description of Certain Financing Arrangements*.”

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## THE OFFERING

The following is a brief summary of certain terms of the Offering of the Senior Secured Notes and the Senior Notes. It may not contain all the information that is important to you. For additional information regarding the Notes and the Notes Guarantees, see “*Description of the Senior Secured Notes*,” “*Description of the Senior Notes*” and “*Description of Certain Financing Arrangements—Intercreditor Agreement*.”

### Issuers:

Senior Secured Notes Issuer . . . . . Nidda Healthcare Holding AG

Senior Notes Issuer . . . . . Nidda BondCo GmbH

### Notes Offered:

Senior Secured Notes . . . . . €735,000,000 3½% Senior Secured Notes due 2024

Senior Notes . . . . . €340,000,000 5% Senior Notes due 2025

Issue Date . . . . . September 29, 2017

### Issue Price:

Senior Secured Notes . . . . . 100.00% plus accrued interest, if any, from the Issue Date

Senior Notes . . . . . 100.00% plus accrued interest, if any, from the Issue Date

### Maturity Date:

Senior Secured Notes . . . . . September 30, 2024

Senior Notes . . . . . September 30, 2025

### Interest Rate:

Senior Secured Notes . . . . . 3.50% per annum

Senior Notes . . . . . 5.00% per annum

### Interest Payment Dates:

Senior Secured Notes . . . . . Interest on the Senior Secured Notes is payable semi-annually in arrears on March 30 and September 30 of each year, commencing on March 30, 2018. Interest on the Senior Secured Notes will accrue from the Issue Date.

Senior Notes . . . . . Interest on the Senior Notes is payable semi-annually in arrears on March 30 and September 30 of each year, commencing on March 30, 2018. Interest on the Senior Notes will accrue from the Issue Date.

**Form and Denomination** . . . . . The Notes will only be issued in fully registered form and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes in denominations of less than €100,000 will not be available.

### Guarantors:

Senior Secured Notes . . . . . On the Issue Date, the Senior Secured Notes will be guaranteed solely by German Holdco, the direct majority shareholder of the Target. Subject to the Agreed Security Principles, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Secured Credit Facilities and (b) 120 days from the earlier of (i) the Control Date and (ii) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, the Senior Secured Notes will additionally be guaranteed on a senior basis by each such Post-Control Date Guarantor.



The obligations of each Senior Secured Notes Guarantor will be limited as described under “*Description of the Senior Secured Notes—Senior Secured Notes Guarantees.*”

Each Senior Secured Notes Guarantee will be subject to certain contractual and legal limitations. See “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*” and “*Risk Factors—Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*”

Each Senior Secured Notes Guarantee will be subject to the terms of the Intercreditor Agreement, including certain exceptions, payment blockage, standstill and turnover provisions. See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

Each Senior Secured Notes Guarantee will be subject to release under certain circumstances. See “*Description of the Senior Secured Notes—Senior Secured Notes Guarantees—Senior Secured Notes Guarantee Release.*”

As of and for the twelve months ended June 30, 2017, the Target and its subsidiaries organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland accounted for 40% of the consolidated assets, 38% of the consolidated sales and 47% of the consolidated EBITDA of the Target Group.

Senior Notes .....

On the Issue Date, the Senior Notes will be guaranteed by each of the Senior Secured Notes Issuer and German Holdco on a senior subordinated basis. Subject to the Agreed Security Principles, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Secured Credit Facilities or the Senior Secured Notes and (b) 120 days from the earlier of (i) the Control Date and (ii) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, the Senior Notes will additionally be guaranteed on a senior subordinated basis by each such Post-Control Date Guarantor.

The obligations of each Senior Notes Guarantor will be limited as described under “*Description of the Senior Notes—Senior Notes Guarantees.*”

Each Senior Notes Guarantee will be subject to certain contractual and legal limitations. See “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*” and “*Risk Factors—Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*”

Each Senior Notes Guarantee will be subject to the terms of the Intercreditor Agreement, including certain exceptions, payment blockage, standstill and turnover provisions. See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

Each Senior Notes Guarantee will be subject to release under certain circumstances. See “*Description of the Senior Notes—Senior Notes Guarantees—Senior Notes Guarantee Release.*”

**Ranking of the Notes and the Guarantees:**

Senior Secured Notes and Senior Secured Notes Guarantees . . . . .

The Senior Secured Notes and Senior Secured Notes Guarantees will:

- be general senior obligations of the Senior Secured Notes Issuer and Senior Secured Notes Guarantors;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors that is not subordinated in right of payment to the Senior Secured Notes (including obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations);
- rank senior in right of payment to any existing and future indebtedness of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors that is expressly subordinated in right of payment to the Senior Secured Notes, including the Senior Notes Guarantees;
- be effectively subordinated to any existing or future indebtedness of the Senior Secured Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes and the Senior Secured Notes Guarantees, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the subsidiaries of the Senior Secured Notes Issuer that are not Senior Secured Notes Guarantors, including obligations to their trade creditors.

Senior Notes . . . . .

The Senior Notes will:

- be general senior obligations of the Senior Notes Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Notes Issuer that is not subordinated in right of payment to the Senior Notes;
- rank senior in right of payment to all existing and future indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the Senior Notes;
- be effectively subordinated to any existing or future indebtedness of the Senior Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Notes (including obligations under the Senior Secured Credit Facilities Agreement, the Senior Secured Notes and certain hedging obligations), to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the subsidiaries of the Senior Notes Issuer that do not guarantee the Senior Notes, including their obligations to trade creditors.

Senior Notes Guarantees . . . . . Each Senior Notes Guarantee will:

- be a general, senior subordinated obligation of the relevant Senior Notes Guarantor;
- be subordinated in right of payment to any existing and future senior indebtedness of that Senior Notes Guarantor, including the Senior Secured Notes Guarantees, the Senior Secured Credit Facilities and certain hedging obligations;
- rank *pari passu* in right of payment with all existing and future subordinated indebtedness of that Senior Notes Guarantor that is not subordinated in right of payment to the Senior Note Guarantee of that Senior Notes Guarantor;
- rank senior in right of payment to all existing and future indebtedness of that Senior Notes Guarantor that is subordinated in right of payment to the Senior Notes Guarantee of that Senior Notes Guarantor;
- be effectively subordinated to any existing or future indebtedness of that Senior Notes Guarantor and its subsidiaries that is secured by property and assets that do not secure the Senior Notes (including obligations under the Senior Secured Credit Facilities Agreement, the Senior Secured Notes and certain hedging obligations), to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the subsidiaries of that Senior Notes Guarantor that do not guarantee the Senior Notes, including their obligations to trade creditors.

**Collateral:**

Senior Secured Notes . . . . . Subject to the Agreed Security Principles and certain perfection requirements, the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured on a first-priority basis by security interests in:

(i) on the Issue Date:

- a pledge of the shares in the Senior Secured Notes Issuer, a security assignment of any structural intercompany receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer and a pledge of the material bank accounts of the Senior Secured Notes Issuer;
- a pledge of the shares in German Holdco, a security assignment of any structural intercompany receivables owed by German Holdco to the Senior Secured Notes Issuer and a pledge of the material bank accounts of German Holdco;
- a pledge of the shares in the Target acquired by the Senior Secured Notes Issuer or German Holdco and a security assignment of any structural intercompany receivables owed by the Target to the Senior Secured Notes Issuer or German Holdco; and
- a security assignment of any structural intercompany receivables owed to the Senior Secured Notes Issuer by any material subsidiary (as defined in the Senior Secured Credit Facilities Agreement),

(together, the “Senior Secured Issue Date Collateral”). The Senior Secured Issue Date Collateral will also secure the Senior Secured Credit Facilities and certain hedging obligations on a first-priority basis and a portion of the Senior Secured Issue Date Collateral consisting of the Shared Issue Date Collateral will also secure the Senior Notes on a second-priority basis (as set forth under “—Senior Notes” below); and

(ii) within no later than 120 days from the earlier of (a) the Control Date and (b) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities:

- pledges of the shares in and material bank accounts of each Post-Control Date Guarantor (together, the “Senior Secured Post-Control Date Collateral” and, together with the Senior Secured Issue Date Collateral, the “Senior Secured Notes Collateral”). The Senior Secured Post-Control Date Collateral will also secure the Senior Secured Credit Facilities and certain hedging obligations on a first-priority basis.

Senior Notes ..... Subject to the Agreed Security Principles and certain perfection requirements, the Senior Notes and the Senior Notes Guarantees will be secured on the Issue Date by:

- on a first-priority basis, by a pledge of the shares in the Senior Notes Issuer, a security assignment of any structural intercompany receivables owed by the Senior Notes Issuer to German Midco and a pledge of the material bank accounts of the Senior Notes Issuer; and
- on a second-priority basis, by security interests in a portion of the Senior Secured Issue Date Collateral consisting of the pledge of the shares in the Senior Secured Notes Issuer and the security assignment of any structural intercompany receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer (the “Shared Issue Date Collateral”). The Shared Issue Date Collateral will also secure the Senior Secured Notes, Senior Secured Credit Facilities and certain hedging obligations on a first-priority basis.

The Senior Notes will not benefit from any security interests in the Senior Secured Post-Control Date Collateral or any other of the Senior Secured Issue Date Collateral.

The security interests may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. For more information on the security interests granted, see “*Description of the Senior Secured Notes—Security*” and “*Description of the Senior Notes—Security*,” and for more information on potential limitations to the security interests, see “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*,” “*Risk Factors—Risks Relating to the Senior Secured Notes*” and “*Risk Factors—Risks Relating to the Senior Notes*.”

The security interests may be released under certain circumstances. See “*Risk Factors—Risks Relating to the Senior Secured Notes—There are circumstances other than the repayment or discharge of the Notes under which the Senior Secured Notes Collateral securing the Notes will be released automatically without your consent or the*”

*Trustees or the Security Agent obtaining your further consent,” “Description of Certain Financing Arrangements—Intercreditor Agreement,” “Description of the Senior Secured Notes—Security—Release of Liens” and “Description of the Senior Notes—Security—Release of Liens.”*

**Use of Proceeds** . . . . . A portion of the proceeds from the offering of the Senior Secured Notes and the proceeds from the offering of the Senior Notes will be used together with cash on hand at the Issuers to refinance amounts that were incurred under the Bridge Facilities and to pay the costs, fees and expenses incurred in connection with the offering of the Notes, and a portion of the proceeds from the offering of the Senior Secured Notes will be deposited into a secured account for future utilization. See *“The Transactions—The Refinancing”* and *“Use of Proceeds.”*

**Additional Amounts** . . . . . Any payments made by the Issuer or any Guarantor with respect to the Notes will be made without withholding or deduction for taxes unless required by law. If such withholding or deduction is required by law in any “relevant taxing jurisdiction,” the Issuer or the relevant Guarantor, as applicable, will pay the additional amounts necessary so that the net amounts received by the holders of the Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction, subject to certain exceptions. See *“Description of the Senior Secured Notes—Additional Amounts”* and *“Description of the Senior Notes—Withholding Taxes.”*

**Optional Redemption:**

**Senior Secured Notes** . . . . . The Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes on or after September 30, 2020, at the relevant redemption price set forth under *“Description of the Senior Secured Notes—Optional Redemption.”*

Prior to September 30, 2020, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes by paying a “make whole” premium as described under *“Description of the Senior Secured Notes—Optional Redemption.”*

Prior to September 30, 2020, the Senior Secured Notes Issuer may in each calendar year redeem up to 10% of the aggregate principal amount of the Senior Secured Notes (including any additional Senior Secured Notes) at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

Additionally, at any time prior to September 30, 2020, the Senior Secured Notes Issuer may on one or more occasions redeem upon notice up to 40% of the original aggregate principal amount of the Senior Secured Notes using the net proceeds from certain equity offerings, at a redemption price equal to 103.50% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of redemption; provided that (a) in each case the redemption takes place not later than 180 days after the closing of the related equity offering and (b) at least 50% of the original aggregate principal amount of the Senior Secured Notes remains outstanding after such redemption. See *“Description of the Senior Secured Notes—Optional Redemption.”*

**Senior Notes** . . . . . The Senior Notes Issuer may redeem all or part of the Senior Notes on or after September 30, 2020, at the relevant redemption



price set forth under “*Description of the Senior Notes—Optional Redemption.*”

Prior to September 30, 2020, the Senior Notes Issuer may redeem all or part of the Senior Notes by paying a “make whole” premium as described under “*Description of the Senior Notes—Optional Redemption.*”

Additionally, at any time prior to September 30, 2020, the Senior Notes Issuer may on one or more occasions redeem upon notice up to 40% of the original aggregate principal amount of the Senior Notes using the net proceeds from certain equity offerings, at a redemption price equal to 105.00% of the principal amount of the Senior Notes, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of redemption; provided that (a) in each case the redemption takes place not later than 180 days after the closing of the related equity offering and (b) at least 60% of the original aggregate principal amount of the Senior Notes remains outstanding after such redemption. See “*Description of the Senior Notes—Optional Redemption.*”

#### **Optional Redemption for Tax**

**Reasons** . . . . . In the event of certain developments affecting taxation that become effective after the Issue Date, the Issuers may redeem either series of the Notes in whole but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but excluding, the date of redemption. See “*Description of the Senior Secured Notes—Redemption for Taxation Reasons*” and “*Description of the Senior Notes—Redemption for Taxation Reasons.*”

**Change of Control** . . . . . If (i) the Senior Secured Notes Issuer experiences a change of control event, (ii) the Senior Notes Issuer experiences a change of control event or (iii) the Senior Notes Issuer ceases to own 100% of the Senior Secured Notes Issuer or any successor entity (excluding director’s qualifying shares), the holders of the Notes will have the right to require the applicable Issuer to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase. However, a change of control pursuant to (i) and (ii) above will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event or upon signing of a definitive agreement in respect thereof. See “*Description of the Senior Secured Notes—Change of Control*” and “*Description of the Senior Notes—Change of Control.*”

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

**Certain Covenants . . . . .**

The Indentures will limit, among other things, the ability of the Issuers and the Restricted Subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain restricted payments;
- make certain investments;
- impose restrictions on the ability of their subsidiaries to pay dividends or make other payments to the Issuers;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interests for the benefit of the holders of the Notes.

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

Certain of the covenants will be suspended if and for as long as the Notes achieve investment-grade ratings. See “*Description of the Senior Secured Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*” and “*Description of the Senior Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*.”

From the First Settlement Date until the Control Date, where the Senior Secured Notes Issuer or the Senior Notes Issuer undertakes to procure compliance by members of the Target Group to any term of the Indentures where any term of the Indentures is expressed directly or indirectly to apply to a member of the Target Group, such term, undertaking or requirement will be subject to all limitations and restrictions on the influence the Senior Secured Notes Issuer may exercise as a shareholder of the Target (or the access it has to the relevant information in such capacity, as applicable) in accordance with mandatory German corporate law but without any obligation to compensate or to offer any compensation in accordance with the German Stock Corporation Act (including, but not limited to, Sections 311 *et seq.* German Stock Corporation Act) (and, for the avoidance of doubt, no breach of any such term, undertaking or requirement and no default or event of default shall occur if having exercised all such influence, the relevant term, undertaking or requirement is nevertheless breached).

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

## U.S. Federal Income Tax Considerations .....

For a discussion of certain U.S. federal income tax considerations of an investment in the Notes, see “*Certain Tax Consequences—Certain U.S. Federal Income Tax Considerations.*” You should consult your own tax advisor to determine the U.S. federal, state, local and other tax consequences of an investment in the Notes.

<b>Transfer Restrictions</b> . . . . .	The Notes and the Guarantees have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction and will not be so registered. The Notes are subject to restrictions on transferability and resale. See “ <i>Notice to Investors</i> .” Holders of the Notes will not have the benefit of any exchange or registration rights.
<b>Risk Factors</b> . . . . .	Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the “ <i>Risk Factors</i> ” section before making a decision whether to invest in the Notes.
<b>No Prior Market</b> . . . . .	The Notes will be new securities for which there is no existing market. Although the Initial Purchasers of the Notes have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
<b>Listing</b> . . . . .	Application has been made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the “Exchange”). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.
<b>Governing Law</b> . . . . .	<p>The Indentures and the Notes will be governed by the laws of the State of New York. Under the terms of each Indenture, the governing law of that Indenture and the Notes may be amended with the consent of holders of at least a majority (50%) in principal amount of such Notes then outstanding.</p> <p>The Intercreditor Agreement is governed by the laws of England and Wales. Each Security Document will be governed by applicable local laws.</p>
<b>Senior Secured Notes Trustee</b> . . . .	U.S. Bank Trustees Limited
<b>Senior Notes Trustee</b> . . . . .	U.S. Bank Trustees Limited
<b>Security Agent</b> . . . . .	U.S. Bank Trustees Limited
<b>Paying Agent</b> . . . . .	Elavon Financial Services DAC, UK Branch
<b>Transfer Agent</b> . . . . .	Elavon Financial Services DAC, UK Branch
<b>Registrar</b> . . . . .	Elavon Financial Services DAC
<b>Listing Sponsor</b> . . . . .	Carey Olsen Corporate Finance Limited

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## SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

*Unless otherwise noted, the following tables present the Target's summary financial information and have been derived from, and should be read in conjunction with, our Financial Statements, that have been prepared in accordance with IFRS and are included elsewhere herein and the sections entitled "Presentation of Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Consolidated Financial Information," "Use of Proceeds" and "Capitalization."*

*All historical financial information presented in this offering memorandum is that of the Target and its subsidiaries. Accordingly, all references to "we," "us," "our" or the "Target Group" in respect of historical financial information in this offering memorandum are to the Target and its subsidiaries on a consolidated basis.*

*The financial information for the twelve months ended June 30, 2017, is unaudited and has been calculated by taking the results of operations for the six months ended June 30, 2017, and adding it to the difference between the results of operations for the year ended December 31, 2016, and the six months ended June 30, 2016. The financial information for the twelve months ended June 30, 2017, has not been audited or reviewed by our auditors, is not required by, or presented in accordance with, IFRS or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This information is not necessarily representative of our results of operations for such a period or any future period or any financial position at any past or future date.*

*This offering memorandum includes certain financial information of the Senior Secured Notes Issuer and Senior Notes Issuer as of and for the twelve months ended June 30, 2017, on an adjusted basis to give pro forma effect to the Transactions and the application of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the Transactions on each Issuer's indebtedness as if the Transactions had occurred on June 30, 2017, and on each Issuer's interest expense as if the Transactions had occurred on July 1, 2016. The pro forma financial information as of and for the twelve months ended June 30, 2017, has been prepared for illustrative purposes only and does not represent what each Issuer's indebtedness or interest expense would have been, had the Transactions occurred on June 30, 2017, or July 1, 2016, respectively; nor does it purport to project each Issuer's indebtedness or interest expense at any future date. The pro forma financial information as of and for the twelve months ended June 30, 2017, has not been prepared in accordance with IFRS. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information as of and for the twelve months ended June 30, 2017, have been audited or reviewed in accordance with any generally accepted auditing standards.*

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



## Summary Consolidated Income Statement Information

(€ million)	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30, 2017
	2014	2015	2016	2016	2017	
Sales . . . . .	2,062.2	2,115.1	2,139.2	1,034.7	1,143.2	2,247.7
Cost of sales . . . . .	(1,070.4)	(1,101.7)	(1,105.3)	(529.3)	(575.8)	(1,151.8)
<b>Gross Profit . . . . .</b>	<b>991.8</b>	<b>1,013.4</b>	<b>1,033.9</b>	<b>505.4</b>	<b>567.4</b>	<b>1,095.9</b>
Selling expenses . . . . .	(458.4)	(482.6)	(488.3)	(232.8)	(243.5)	(499.0)
General and administrative expenses . . . . .	(152.8)	(178.4)	(182.7)	(90.7)	(98.5)	(190.5)
Research and development expenses . . . . .	(56.9)	(65.0)	(65.1)	(31.0)	(33.2)	(67.3)
Other income . . . . .	20.1	20.0	19.3	8.4	11.7	22.6
Other expenses . . . . .	(155.2)	(83.7)	(138.9)	(22.9)	(64.5)	(180.5)
<b>Operating profit . . . . .</b>	<b>188.5</b>	<b>223.7</b>	<b>178.1</b>	<b>136.3</b>	<b>139.4</b>	<b>181.2</b>
Results from investments measured at equity . . . . .	1.6	1.4	0.7	1.0	2.3	2.0
Investment income . . . . .	0.1	0.1	0.0	0.0	—	—
Financial income . . . . .	4.8	1.2	2.7	1.0	1.6	3.3
Financial expenses . . . . .	(70.4)	(68.7)	(54.1)	(27.0)	(23.1)	(50.2)
<b>Financial result . . . . .</b>	<b>(63.8)</b>	<b>(65.9)</b>	<b>(50.7)</b>	<b>(25.0)</b>	<b>(19.2)</b>	<b>(44.9)</b>
<b>Earnings before taxes . . . . .</b>	<b>124.7</b>	<b>157.8</b>	<b>127.4</b>	<b>111.3</b>	<b>120.2</b>	<b>136.3</b>
Income taxes . . . . .	(54.6)	(40.6)	(31.9)	(24.7)	(24.9)	(32.1)
<b>Earnings after taxes . . . . .</b>	<b>70.1</b>	<b>117.2</b>	<b>95.5</b>	<b>86.6</b>	<b>95.3</b>	<b>104.2</b>
<i>thereof: distributable to shareholders of the Target (net income) . . . . .</i>	64.6	110.4	85.9	82.0	90.3	94.2
<i>thereof: distributable to non-controlling shareholders . . . . .</i>	5.5	6.8	9.6	4.6	5.0	10.0

## Summary Consolidated Balance Sheet Information

(€ million)	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
Intangible assets . . . . .	1,631.5	1,649.0	1,582.4	1,613.2	1,557.9
Property, plant and equipment . . . . .	305.4	321.6	322.7	348.7	345.6
Financial assets . . . . .	2.0	1.3	2.2	4.3	2.2
Investments measured at equity . . . . .	10.6	13.2	13.9	14.2	16.2
Other financial assets . . . . .	11.7	8.7	4.5	7.7	1.1
Other assets . . . . .	3.1	4.4	3.1	2.5	1.8
Deferred tax assets . . . . .	49.4	34.1	20.8	24.8	24.9
<b>Non-current assets . . . . .</b>	<b>2,013.8</b>	<b>2,032.3</b>	<b>1,949.5</b>	<b>2,015.2</b>	<b>1,949.7</b>
Inventories . . . . .	498.8	501.5	484.9	500.5	539.4
Trade accounts receivable . . . . .	502.8	485.9	489.1	480.6	493.0
Income tax receivables . . . . .	30.7	21.2	12.8	14.9	10.9
Other financial assets . . . . .	86.9	74.3	39.9	56.5	29.3
Other assets . . . . .	37.9	29.0	28.7	43.3	45.6
Cash and cash equivalents . . . . .	164.2	143.2	352.6	385.5	320.8
Non-current assets and disposal groups held for sale . . . . .	0.3	0.0	83.0	—	—
<b>Current assets . . . . .</b>	<b>1,321.6</b>	<b>1,255.1</b>	<b>1,490.9</b>	<b>1,481.3</b>	<b>1,438.9</b>
<b>Total assets . . . . .</b>	<b>3,335.5</b>	<b>3,287.4</b>	<b>3,440.4</b>	<b>3,496.5</b>	<b>3,388.5</b>
Share capital . . . . .	157.6	162.1	162.1	162.1	162.1
Capital reserve . . . . .	490.4	514.2	514.2	514.2	514.2
Retained earnings including net income . . . . .	561.4	635.3	673.3	711.4	763.6
Other provisions . . . . .	(371.9)	(364.1)	(379.1)	(398.6)	(409.3)
Treasury shares . . . . .	(1.5)	(1.5)	(1.4)	(1.4)	(1.4)
<b>Equity attributable to shareholders of the parent . . . . .</b>	<b>836.1</b>	<b>946.0</b>	<b>969.0</b>	<b>987.7</b>	<b>1,029.2</b>
Shares relating to non-controlling shareholders . . . . .	67.3	72.5	78.1	73.9	73.5
<b>Equity . . . . .</b>	<b>903.3</b>	<b>1,018.5</b>	<b>1,047.1</b>	<b>1,061.6</b>	<b>1,102.7</b>
Other non-current provisions . . . . .	30.1	28.9	36.0	37.3	35.2
Financial liabilities . . . . .	1,043.0	1,084.2	1,336.4	1,374.5	987.8
Other financial liabilities . . . . .	5.3	7.2	3.9	7.5	3.5
Other liabilities . . . . .	1.6	2.1	1.0	1.9	0.7
Deferred tax liabilities . . . . .	166.7	160.2	116.4	140.9	124.1
<b>Non-current borrowed capital . . . . .</b>	<b>1,246.7</b>	<b>1,282.6</b>	<b>1,493.7</b>	<b>1,562.0</b>	<b>1,151.3</b>
Other provisions . . . . .	17.4	22.5	20.3	18.5	19.1
Financial liabilities . . . . .	448.7	274.7	134.3	222.4	443.9
Trade accounts payable . . . . .	340.8	328.5	336.8	286.1	348.7
Income tax liabilities . . . . .	33.7	39.4	60.6	56.4	64.5
Other financial liabilities . . . . .	257.4	218.8	214.0	201.5	163.2
Other liabilities . . . . .	87.3	102.4	118.9	88.0	95.2
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups . . . . .	—	—	14.6	—	—
<b>Current borrowed capital . . . . .</b>	<b>1,185.4</b>	<b>986.3</b>	<b>899.6</b>	<b>872.9</b>	<b>1,134.5</b>
<b>Total equity and liabilities . . . . .</b>	<b>3,335.5</b>	<b>3,287.4</b>	<b>3,440.4</b>	<b>3,496.5</b>	<b>3,388.5</b>

## Summary Consolidated Cash Flow Statement Information

(€ million)	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2014	2015	2016	2016	2017	2017
Cash flow from operating activities . . . . .	223.8	311.7	333.5	113.0	89.5	310.0
Cash flow from investing activities . . . . .	(262.0)	(178.2)	(172.7)	(98.1)	(73.2)	(147.8)
Cash flow from financing activities . . . . .	83.7	(155.1)	55.2	229.3	(44.1)	(218.2)
<b>Changes in cash and cash equivalents . . . . .</b>	<b>45.5</b>	<b>(21.6)</b>	<b>216.1</b>	<b>244.3</b>	<b>(27.9)</b>	<b>(56.1)</b>
Balance at the beginning of the period . . . . .	126.2	164.2	143.2	143.2	352.6	385.5
Changes in cash and cash equivalents due to the scope of consolidation . . . . .	2.1	0.2	(3.4)	—	1.4	(2.0)
Changes in cash and cash equivalents due to exchange rates . . . . .	(9.6)	0.3	(3.3)	(2.0)	(5.3)	(6.6)
<b>Balance at the end of the period . . . . .</b>	<b>164.2</b>	<b>143.2</b>	<b>352.6</b>	<b>385.5</b>	<b>320.8</b>	<b>320.8</b>

## Summary Segment Income Statement Information

The following tables set forth our constant-currency sales, EBITDA, EBITDA margin, Management Adjusted EBITDA and Management Adjusted EBITDA margin:

Operating Segments <sup>(1)</sup> (€ million, unless otherwise stated)	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30, 2017
	2014	2015	2016	2016	2017	
<b>Constant-currency sales<sup>(2)</sup></b> . . . . .	<b>1,952.9</b>	<b>2,049.5</b>	<b>2,133.1</b>	<b>1,033.1</b>	<b>1,122.8</b>	<b>2,222.9</b>
thereof: Generics <sup>(3)</sup> . . . . .	1,236.2	1,246.4	1,282.1	630.3	667.7	1,319.5
thereof: Branded Products . . . . .	716.7	803.1	851.0	402.6	455.0	903.5
<b>Sales</b> . . . . .	<b>2,062.2</b>	<b>2,115.1</b>	<b>2,139.2</b>	<b>1,034.7</b>	<b>1,143.2</b>	<b>2,247.7</b>
thereof: Generics <sup>(3)</sup> . . . . .	<b>1,261.7</b>	<b>1,261.4</b>	<b>1,280.7</b>	<b>627.2</b>	<b>674.4</b>	<b>1,327.9</b>
thereof: Germany . . . . .	266.4	308.3	308.0	150.5	145.9	303.4
thereof: Italy . . . . .	150.5	149.0	157.7	79.8	84.8	162.7
thereof: Belgium . . . . .	141.6	95.0	90.7	40.8	56.0	105.9
thereof: Spain . . . . .	101.0	107.0	105.4	52.8	53.0	105.6
thereof: Russia . . . . .	118.0	83.6	92.5	49.3	52.3	95.5
thereof: France . . . . .	75.5	80.1	81.9	40.4	38.7	80.2
thereof: Serbia . . . . .	76.8	73.7	55.8	25.6	44.0	74.2
thereof: Vietnam . . . . .	49.0	63.2	69.1	32.4	35.1	71.8
thereof: Other . . . . .	282.9	301.5	319.6	155.6	164.6	328.6
thereof: Branded Products . . . . .	<b>800.5</b>	<b>853.6</b>	<b>858.5</b>	<b>407.3</b>	<b>468.8</b>	<b>920.0</b>
thereof: Russia . . . . .	242.7	212.2	150.1	60.2	108.0	197.9
thereof: United Kingdom . . . . .	118.2	168.0	175.4	83.6	82.1	173.9
thereof: Germany . . . . .	128.8	128.3	177.4	100.2	91.4	168.6
thereof: Italy . . . . .	30.8	40.4	43.9	21.5	21.6	44.0
thereof: Vietnam . . . . .	24.7	30.8	36.7	17.5	19.4	38.6
thereof: Other . . . . .	255.3	273.9	275.0	124.3	146.3	297.0
<b>EBITDA</b> . . . . .	<b>418.8</b>	<b>377.1</b>	<b>361.5</b>	<b>200.7</b>	<b>220.9</b>	<b>381.7</b>
thereof: Generics <sup>(3)</sup> . . . . .	224.2	233.2	255.8	129.3	151.0	277.5
thereof: Branded Products . . . . .	231.5	211.8	186.2	104.7	121.5	203.0
<b>EBITDA margin</b> . . . . .	<b>20.3%</b>	<b>17.8%</b>	<b>16.9%</b>	<b>19.4%</b>	<b>19.3%</b>	<b>17.0%</b>
thereof: Generics <sup>(3)</sup> . . . . .	17.8%	18.5%	20.0%	20.6%	22.4%	20.9%
thereof: Branded Products . . . . .	28.9%	24.8%	21.7%	25.7%	25.9%	22.1%
<b>Management Adjusted EBITDA</b> . . . . .	<b>431.9</b>	<b>389.4</b>	<b>398.0</b>	<b>202.3</b>	<b>237.7</b>	<b>433.4</b>
thereof: Generics <sup>(3)</sup> . . . . .	229.7	232.0	264.9	129.6	150.7	286.0
thereof: Branded Products . . . . .	240.0	220.1	200.7	108.6	121.4	213.5
<b>Management Adjusted EBITDA margin</b> . . . . .	<b>20.9%</b>	<b>18.4%</b>	<b>18.6%</b>	<b>19.6%</b>	<b>20.8%</b>	<b>19.3%</b>
thereof: Generics <sup>(3)</sup> . . . . .	18.2%	18.4%	20.7%	20.7%	22.3%	21.5%
thereof: Branded Products . . . . .	30.0%	25.8%	23.4%	26.7%	25.9%	23.2%

(1) Segment data excludes income and expenses at the holding company level.

(2) We present our Financial Statements in euro. As a result, we translate the financial position and results of operations attributable to our consolidated subsidiaries with a functional currency other than euro into euro, using average exchange rates as of the dates and during the periods presented. In this offering memorandum, we present our sales not only as reported under IFRS, but also on a constant currency basis using the Non-GAAP Measure titled constant-currency sales. Constant-currency sales is used to adjust for the distorting effect of fluctuations in the exchange rates we use in the translation of our non-euro denominated sales into euro by instead assuming that exchange rates were constant in all periods. We believe that this measure facilitates an understanding of the underlying economic performance of the Target Group's operations. For a reconciliation between the foreign exchange rates used for reporting purposes in our Financial Statements and the foreign exchange rates used for purposes of the calculation of constant-currency sales, see "Presentation of Financial Information—Non-GAAP Financial Measures—Constant-Currency Sales."

(3) For all periods presented, financial information for the Generics segment includes the results of operations of our former Commercial Business segment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Reporting Segments—Operating Segments."

## Other Consolidated Financial and Pro Forma Data

(€ million, unless otherwise stated)	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2014	2015	2016	2016	2017	2017
<b>Other Financial Information:</b>						
Sales	2,062.2	2,115.1	2,139.2	1,034.7	1,143.2	2,247.7
Constant-currency sales <sup>(1)</sup>	1,952.9	2,049.5	2,133.1	1,033.1	1,122.8	2,222.9
EBITDA <sup>(2)</sup>	418.8	377.1	361.5	200.7	220.9	381.7
EBITDA margin <sup>(3)</sup>	20.3%	17.8%	16.9%	19.4%	19.3%	17.0%
Management Adjusted EBITDA <sup>(2)</sup>	431.9	389.4	398.0	202.3	237.7	433.4
Management Adjusted EBITDA margin <sup>(3)</sup>	20.9%	18.4%	18.6%	19.6%	20.8%	19.3%
Pro Forma Adjusted EBITDA <sup>(2)</sup>						534.4
Pro Forma Adjusted EBITDA margin <sup>(3)</sup>						23.1%
Adjusted Capital Expenditures <sup>(4)</sup>	(71.5)	(101.0)	(97.4)	(71.6)	(48.2)	(74.0)
Adjusted Free Cash Flow <sup>(5)</sup>	360.4	288.4	300.6	130.7	189.5	359.4
Adjusted Cash Conversion <sup>(6)</sup>	83%	74%	76%	65%	80%	83%
<b>Pro Forma Data<sup>(*)</sup>:</b>						
Pro forma net senior secured indebtedness <sup>(7)</sup>						2,433
Pro forma net indebtedness <sup>(8)</sup>						2,773
Pro forma interest expense <sup>(9)</sup>						111
Ratio of pro forma net senior secured indebtedness to Pro Forma Adjusted EBITDA <sup>(10)</sup>						4.55x
Ratio of pro forma net indebtedness to Pro Forma Adjusted EBITDA <sup>(11)</sup>						5.19x
Ratio of Pro Forma Adjusted EBITDA to pro forma interest expense <sup>(12)</sup>						4.82x

(\*) Based on the assumptions set forth in “—The Transactions,” including that we have acquired 100% of the issued and outstanding common shares in the Target at the specified prices.

(1) We present our Financial Statements in euro. As a result, we translate the financial position and results of operations attributable to our consolidated subsidiaries with a functional currency other than euro into euro, using average exchange rates as of the dates and during the periods presented. In this offering memorandum, we present our sales not only as reported under IFRS, but also on a constant currency basis using the Non-GAAP Measure titled constant-currency sales. Constant-currency sales is used to adjust for the distorting effect of fluctuations in the exchange rates we use in the translation of our non-euro denominated sales into euro by instead assuming that exchange rates were constant in all periods. We believe that this measure facilitates an understanding of the underlying economic performance of the Target Group’s operations. For a reconciliation between the foreign exchange rates used for reporting purposes in our Financial Statements and the foreign exchange rates used for purposes of the calculation of constant-currency sales, see “Presentation of Financial Information—Non-GAAP Financial Measures—Constant-Currency Sales.”

(2) We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Management Adjusted EBITDA as EBITDA, adjusted for certain special items as set forth below. We define Pro Forma Adjusted EBITDA as Management Adjusted EBITDA, adjusted for certain one-off and pro forma adjustments and expected cost savings identified by the Sponsors as set forth below.

By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe EBITDA based measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we present Non-GAAP Measures such as EBITDA, Management Adjusted EBITDA and Pro Forma Adjusted EBITDA because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. Our Non-GAAP Measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to performance measures derived in accordance with IFRS or any other generally accepted accounting principles. Our Non-GAAP Measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Because of these limitations, our Non-GAAP Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our financial statements and using these Non-GAAP Measures only supplementally to evaluate our performance. See “Presentation of Financial Information—Non-GAAP Financial Measures.”



Set forth below is a reconciliation of each of EBITDA, Management Adjusted EBITDA and Pro Forma Adjusted EBITDA to earnings after taxes which we believe is their closest comparable IFRS measure.

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
(€ million)	2014	2015	2016	2016	2017	2017
<b>Earnings after taxes</b>	<b>70.1</b>	<b>117.2</b>	<b>95.5</b>	<b>86.6</b>	<b>95.3</b>	<b>104.2</b>
Income taxes	54.6	40.6	31.9	24.7	24.9	32.1
Financial income and expenses	65.6	67.5	51.4	26.0	21.5	46.9
Depreciation, amortization and impairment losses	228.5	151.8	182.7	63.4	79.2	198.5
<b>EBITDA</b>	<b>418.8</b>	<b>377.1</b>	<b>361.5</b>	<b>200.7</b>	<b>220.9</b>	<b>381.7</b>
Purchase price allocations <sup>(A)</sup>	(2.6)	(5.0)	(2.9)	1.2	(0.3)	(4.4)
CIS/Eastern Europe currency effects <sup>(B)</sup>	25.0	16.9	9.1	4.4	—	4.7
Portfolio adjustment and restructuring expenses <sup>(C)</sup>	—	—	28.2	—	—	28.2
Takeover consulting fees <sup>(D)</sup>	—	—	—	—	17.1	17.1
Others <sup>(E)</sup>	(9.3)	0.4	2.0	(4.0)	—	6.0
<b>Management Adjusted EBITDA</b>	<b>431.9</b>	<b>389.4</b>	<b>398.0</b>	<b>202.3</b>	<b>237.7</b>	<b>433.4</b>
One-off and pro forma adjustments <sup>(F)</sup>						19.0
Expected cost savings <sup>(F)</sup>						82.0
<b>Pro Forma Adjusted EBITDA<sup>(F)</sup></b>						<b>534.4</b>

(A) Relates to measurement effects due to purchase price allocations and significant product acquisitions, using the year ended December 31, 2013, as the baseline.

(B) Relates to transactional foreign exchange losses recorded in the income statement resulting from the fluctuation of the Russian ruble and other significant currencies in the market region CIS/Eastern Europe during the periods presented. As of January 1, 2017, STADA has discontinued this adjustment in its reporting, as it believes the significant fluctuations experienced in more recent periods have returned to a more normal level.

(C) Relates to miscellaneous extraordinary expenses in respect of the year ended December 31, 2016, in particular the restructuring of our German business, the termination of certain parts of our aesthetics business, expenses related to the deconsolidation of our Egyptian subsidiary and the termination of our former Omega Distribution Agreement.

(D) Relates to fees paid by the Target for financial advisory, legal and other professional fees in connection with the Acquisition and the Takeover Offer.

(E) Relates to miscellaneous extraordinary income and expenses.

(F) Pro Forma Adjusted EBITDA represents Management Adjusted EBITDA, adjusted for certain one-off and pro forma adjustments and expected cost savings identified by the Sponsors.

In conducting due diligence on the Target, the Sponsors commissioned third-party due diligence reports to analyze the Target's financial condition and operations. As a result of their findings, the Sponsors identified certain adjustments set forth below that could be considered one-off in nature, result from the Transactions or reverse certain Target management adjustments included in Management Adjusted EBITDA. In addition, the Sponsors commissioned a due diligence report from a leading global consulting firm to analyze the potential for achieving cost savings at the Target which result from both management's cost savings initiatives and cost savings initiatives expected to be implemented by the Sponsors. This leading global consulting firm estimated that the Target will be able to realize the cost savings set forth below by the end of the year 2018. The calculation of Pro Forma Adjusted EBITDA is based on various assumptions and estimates by external consultants and management. This information is inherently subject to significant business, economic and competitive risks and uncertainties that could cause our actual results to differ materially from those assumed in the adjustments below. As a result, while the Issuers believe that these adjustments and potential cost savings are reasonable estimates, the actual results and cost savings in any given period may differ from those estimated herein. See also "Forward-Looking Statements," "Risk Factors—Risks Relating to the Acquisition—We do not, and may not in the future, own all of the outstanding common shares in the Target," "—The Senior Secured Notes Issuer does not currently control the Target Group and will not control the Target Group until the Control Date" and "—We may not be able to realize the anticipated operational efficiencies and cost savings in the Acquisition."

This presentation of Pro Forma Adjusted EBITDA is for informational purposes only. Pro Forma Adjusted EBITDA does not represent the results we would have achieved had each of the items above for which an adjustment is made occurred on or prior to July 1, 2016. Pro Forma Adjusted EBITDA is included in this offering memorandum because we believe that it provides a useful measure of our results of operations after giving effect to the Transactions and the initiatives described below; however, these numbers have not been, and cannot be, audited, reviewed or verified by any independent accounting firm, and this information does not constitute a measure of financial performance under IFRS. You should not consider Pro Forma Adjusted EBITDA as an alternative to net income or any other performance measure derived in accordance with IFRS or as a measure of our results of operations or liquidity. Other companies, including those in our industry, may calculate a similarly-titled financial measure differently from us, and so the presentation of

such financial measures may not be comparable to other similarly titled measures of other companies. See also “Presentation of Financial Information.”

<b>Pro Forma Adjusted EBITDA Adjustments (€ million)</b>	<b>Twelve months ended June 30, 2017</b>
<b>One-off adjustments:</b>	
Sale of Chronodex Forte dossier . . . . .	(8.7)
Extraordinary termination fee for Omega Distribution Agreement . . . . .	5.2
Loss on disposal of non-current assets . . . . .	1.5
Income from insurance compensation . . . . .	(3.2)
Costs due to postponement of FY 2016 annual general shareholders’ meeting . . . . .	1.8
Release of inventory and warranty provisions for discontinued products . . . . .	(0.2)
Reversal of management adjustment for CIS/Eastern Europe currency effects . . . . .	(4.7)
Reallocation of interest charges relating to factoring facilities within EBITDA . . . . .	(1.3)
Consultancy and M&A fees . . . . .	3.6
Elimination of public company-related costs following de-listing . . . . .	1.0
Bad debt provisions (ROSTA/VAT) . . . . .	20.6
<b>Pro forma adjustments:</b>	
Add-back of net foreign exchange gains/losses . . . . .	2.9
Constant currency adjustment for translation effects . . . . .	(5.8)
Normalization of consulting costs . . . . .	7.9
Redundancy payments . . . . .	(2.7)
Full-year effect of acquisitions and disposals completed during the year ended December 31, 2016 . . . . .	1.0
<b>One-off and pro forma adjustments . . . . .</b>	<b>19.0</b>
Estimated procurement savings <sup>(i)</sup> . . . . .	53.0
Estimated manufacturing savings <sup>(ii)</sup> . . . . .	4.0
Estimated savings in sales, general and administrative costs <sup>(iii)</sup> . . . . .	15.0
Estimated other cost savings <sup>(iv)</sup> . . . . .	10.0
<b>Expected cost savings . . . . .</b>	<b>82.0</b>

- (i) Represents the estimated run-rate increase in EBITDA after giving effect to savings that we expect to realize by the end of the year 2018 in our (a) procurement costs for finished goods and bulk finished goods in line with industry benchmarks achieved through the consolidation of our highly fragmented supplier base, as well as through renegotiation of our procurement supply contracts, (b) procurement costs for active pharmaceutical ingredients in line with industry benchmarks achieved through, among other things, greater use of requests for quotation, higher standardization of procurement processes and renegotiation of our procurement supply contracts and (c) packaging costs which, following a detailed cost analysis, we believe we can realize through renegotiation of our packaging supplier contracts and revised packaging standards.
- (ii) Represents the estimated run-rate increase in EBITDA after giving effect to savings in our manufacturing and distribution costs that we expect to realize by the end of the year 2018 through insourcing the manufacturing of certain of our products through line extensions and capability building, higher specialization of manufacturing facilities, consolidation of our manufacturing footprint to realize economies of scale, the conversion of existing sites into “hub sites” with a greater distribution area, operational improvements in our top product lines in the United Kingdom, Russia and Serbia, supply chain optimization, including hub, route and order size optimization and renegotiations with our third-party providers of logistics services.
- (iii) Represents the estimated run-rate increase in EBITDA after giving effect to savings in our sales, general and administrative expenses that we expect to realize by the end of the year 2018 through centralization and consolidation of our IT and finance infrastructure, initiatives aimed at lowering our expenses for travel, fleet and facilities and other areas and further optimization of our sales and marketing organization.
- (iv) Represents the estimated run-rate increase in EBITDA after giving effect to other cost savings that we expect to realize by the end of the year 2018 through the delayering of our organizational structure through the continued elimination of unnecessary corporate entities and the streamlining of our organization, lower regulatory, registration and other costs realized through the continued reduction in our SKU complexity, with initiatives aimed at the discontinuation of certain smaller-volume products and cross-functional initiatives.

We expect to incur €70 million in costs to achieve the expected cost savings set forth above. We also intend to implement other cost savings which are still to be quantified and therefore excluded from the adjustments set forth above, including benefits resulting from the installation of centers of excellence, a streamlined supply chain organization and a further optimization of our research and development expenses.

- (3) EBITDA margin represents, in any period, EBITDA for such period, divided by sales for such period. Management Adjusted EBITDA margin represents, in any period, Management Adjusted EBITDA for such period, divided by sales for such period. Pro Forma Adjusted EBITDA margin represents, for the twelve months ended June 30, 2017, Pro Forma Adjusted EBITDA for such period, divided by sales for such period.
- (4) We define capital expenditures as total capital expenditure on intangible assets, property, plant and equipment and financial assets. We define Adjusted Capital Expenditures as capital expenditures, excluding payments for significant investments and

acquisitions. Set forth below is a reconciliation of Adjusted Capital Expenditures to capital expenditures, in each case as defined by us, for each of the periods set forth below. Also see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.*”

(€ million)	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2014	2015	2016	2016	2017	2017
<b>Capital expenditures</b> . . . . .	<b>(274.0)</b>	<b>(190.0)</b>	<b>(183.7)</b>	<b>(101.0)</b>	<b>(75.2)</b>	<b>(157.9)</b>
Significant investments and acquisitions <sup>(i)</sup> . . . . .	202.5	89.0	86.3	29.4	27.0	83.9
<b>Adjusted Capital Expenditures</b> . . . . .	<b>(71.5)</b>	<b>(101.0)</b>	<b>(97.4)</b>	<b>(71.6)</b>	<b>(48.2)</b>	<b>(74.0)</b>

(i) Significant investments and acquisitions relate to investments in intangible assets and business combinations.

- (5) Adjusted Free Cash Flow represents, for any period, Management Adjusted EBITDA, less Adjusted Capital Expenditures.
- (6) Cash Conversion represents, for any period, Adjusted Free Cash Flow divided by Management Adjusted EBITDA.
- (7) Pro forma net senior secured indebtedness represents the pro forma financial debt of the Senior Secured Notes Issuer that is secured by a lien on the Senior Secured Notes Collateral, including the Senior Secured Notes and the Senior Secured Credit Facilities (but excluding the Senior Secured Notes Issuer’s guarantee of the Senior Notes which is secured with a second-ranking lien on a portion of the Senior Secured Notes Collateral and any Existing Debt at the Target Group), less pro forma cash and cash equivalents (including cash and cash equivalents of the Target Group as of June 30, 2017), after giving effect to the Transactions (including the offering of the Senior Secured Notes and repayment of the Senior Secured Bridge Facilities) as if they had occurred on June 30, 2017 and assuming that we acquired 100% of the Target shares and repaid all of the Existing Debt on such date.
- (8) Pro forma net indebtedness represents the pro forma financial debt of the Senior Secured Notes Issuer, including the Senior Secured Notes, its Senior Notes Guarantee and the Senior Secured Credit Facilities, but excluding €3.0 million of finance leases, less pro forma cash and cash equivalents (including cash and cash equivalents of the Target Group as of June 30, 2017) after giving pro forma effect to the Transactions (including the offering of the Notes and repayment of the Bridge Facilities) as if they had occurred on June 30, 2017 and assuming that we acquired 100% of the Target shares and repaid all of the Existing Debt on such date.
- (9) Pro forma interest expense represents the estimated interest expense of the Group on a pro forma basis for the twelve months ended June 30, 2017, after giving effect to the Transactions (including the offering of the Notes and repayment of the Bridge Facilities) as if they had occurred on July 1, 2016, subject to the assumptions set forth under “*Use of Proceeds*,” including the assumption that we acquired 100% of the Target shares and repaid all of the Existing Debt on such date. This reflects the interest expense in connection with debt incurred under our existing finance leases, the Senior Notes and Senior Secured Notes offered hereby and debt under the Senior Secured Credit Facilities that will be outstanding after giving pro forma effect to the Transactions, assuming an imputed weighted average interest rate for the Term Loan B Facility, but excluding any Existing Debt at the Target Group. Pro forma interest expense is presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on July 1, 2016, nor does it purport to project our interest expense for any future period or our financial position at any future date.
- (10) As of September 22, 2017, the Senior Secured Notes Issuer held directly or indirectly through German Holdco 65% of the Target’s issued and outstanding common shares. As a result, if the ratio of pro forma net senior secured indebtedness to Pro Forma Adjusted EBITDA was calculated giving effect to (i) the drawings as of September 22, 2017 of €250 million under the Term Loan B Facility and €37 million under the Revolving Credit Facility (which is expected to be refinanced by drawings under the Term Loan B Facility in the near-term), (ii) 65% of the Pro Forma Adjusted EBITDA and (iii) 65% of the Existing Debt net of the cash and cash equivalents of the Target Group as of June 30, 2017, the ratio of pro forma net senior secured indebtedness to Pro Forma Adjusted EBITDA would be 5.02x.
- (11) As of September 22, 2017, the Senior Secured Notes Issuer held directly or indirectly through German Holdco 65% of the Target’s issued and outstanding common shares. As a result, if the ratio of pro forma net indebtedness to Pro Forma Adjusted EBITDA was calculated giving effect to (i) the drawings as of September 22, 2017 of €250 million under the Term Loan B Facility and €37 million under the Revolving Credit Facility (which is expected to be refinanced by drawings under the Term Loan B Facility in the near-term), (ii) 65% of the Pro Forma Adjusted EBITDA and (iii) 65% of the Existing Debt net of the cash and cash equivalents of the Target Group as of June 30, 2017, the ratio of pro forma net indebtedness to Pro Forma Adjusted EBITDA would be 5.99x.
- (12) As of September 22, 2017, the Senior Secured Notes Issuer held directly or indirectly through German Holdco 65% of the Target’s issued and outstanding common shares. As a result, if the ratio of Pro Forma Adjusted EBITDA to pro forma interest expense was calculated giving effect to (i) the drawings as of September 22, 2017 of €250 million under the Term Loan B Facility and €37 million under the Revolving Credit Facility (which is expected to be refinanced by drawings under the Term Loan B Facility in the near-term), (ii) 65% of the Pro Forma Adjusted EBITDA and (iii) 65% of the Existing Debt net of the cash and cash equivalents of the Target Group as of June 30, 2017, the ratio of Pro Forma Adjusted EBITDA to pro forma interest expense would be 3.92x.

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## RISK FACTORS

*An investment in the Notes involves a high degree of risk. Prospective investors in the Notes should carefully consider the risks described below and the other information contained in this offering memorandum before making a decision to invest in the Notes. Any of the following risks, individually or together, could adversely affect our business, financial position, results of operations and prospects, and accordingly the value of the Notes. This section describes the risks and uncertainties that we believe are material, but these risks and uncertainties may not be the only ones that we face. Additional risks and uncertainties, including those of which we are currently unaware or those which we deem immaterial, may also result in decreased sales, assets and cash inflows, increased expenses, liabilities or cash outflows or other events that could result in a decline in the value of the Notes, or which could have a material adverse effect on our business, financial position, results of operations and prospects. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our business, financial position, results of operations and prospects or on the trading price of the Notes.*

### **Risks Relating to Our Business and Industry**

The risks that might have a material impact on the business operations of the Issuers and the Group include the following:

#### ***We operate in a highly competitive industry, which may adversely affect our sales, margins and operations.***

Our industry is highly competitive and is driven by a variety of factors, including price, reliability of quality, local market expertise, distribution channels, portfolio breadth, marketing, packaging and brand loyalty. Our two segments, Generics and Branded Products, face intense competition from our competitors' products.

Many of our competitors are well-known pharmaceutical companies with substantial financial and other resources. Companies with more resources may have a greater ability to conduct the development work necessary to obtain marketing authorizations. Our products could, for example, be rendered obsolete or uneconomical through the development of new products or technological advances in manufacturing or production by our competitors. Our competitors' products may also be, or be perceived as being, more effective or more efficiently marketed and sold than our products. Our competitors may also be able to sustain a deliberate substantial reduction in the price of their products or services for longer periods. This is likely to result in significant price pressure in an increasingly commoditized market, which, in turn, may reduce our sales and market share. In addition, competition in certain of our markets is particularly intense due to the use of public tenders. Tender systems for generic pharmaceutical products have been implemented (by both public and private entities) in a number of significant markets in which we operate, such as Germany, in an effort to lower prices. Under such tender systems, governments or private entities do not directly set the prices of pharmaceutical products (including generic pharmaceutical products), rather manufacturers submit bids that establish prices for generic pharmaceutical products and governments or private entities select a winning bidder. These measures affect competition, marketing practices and reimbursement of drugs. See “—Changes in large volumes of demand arising from tender systems could lead to delivery bottlenecks or unintentional increase in inventories.”

The pharmaceutical industry is also characterized by continuous product development and technological change. Entry of new players in any of our markets may make it difficult for us to increase our market share, retain existing competitive positions or access new markets at all. If we fail to maintain our competitive position, through either product development or effective marketing, or if any of our larger competitors engage in pricing competition with us, there could be a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

#### ***We are subject to extensive governmental regulation and changes in these regulations, or failure by us or any of our third party suppliers to comply with regulations, could harm our business.***

We are subject to extensive, complex, costly and evolving regulations. These regulations govern, among other things, the development, authorization, manufacturing and procurement of contract manufacturing, wholesale distribution and supply, pharmacovigilance and promotion of our products. See “Regulation.” While the regulations in the European Union are to a certain extent streamlined, the regulatory environment outside Europe is fragmented and varies by country. Globally, we market our products in



approximately 125 countries, mainly across Europe, the MENA region, Asia, Australia and South America, and each of these countries may regulate these areas differently.

In our Generics segment, we sell unbranded generics products mostly comprised of prescription products. In most countries, the pricing of prescription products is regulated either directly (for example through statutory price reductions) or indirectly (for example through reference and prices reimbursement rates payable by the health insurance system, mandatory discounts, terms and/or requirements concerning discounts, the creation of framework conditions to stimulate market forces and competition). Pricing also may be influenced by supranational regulations in the European Union. Any changes in these regulations or procedural rules, such as those governing public procurement and tender processes, could reduce the profitability of individual products and, in exceptional cases, could render the market introduction of a new product unprofitable.

The regulatory bodies in the jurisdictions where we operate rigorously monitor and enforce compliance with the relevant regulations by pharmaceutical companies, and our operations are subject to periodic inspections by the relevant regulatory authorities in our markets. As a manufacturer of pharmaceutical products, we are, for example, subject to principles of good manufacturing practice (“GMP”) and good distribution practice (“GDP”), and compliance with these principles is assessed by the competent regulators via regular site audits. See *“Regulation—EU Pharmaceutical Regulatory Regime—Manufacturing and Contract Manufacturing”* and *“Business—Procurement, Production and Quality Management—Highest Quality and Safety Standards.”* Following these inspections, the relevant regulator may issue notices listing the conditions that inspectors believe may violate GMP, GDP or other applicable regulations, and warning letters that could modify certain activities identified during the inspection. Failure to comply with the applicable regulations can result in fines, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production or distribution, suspension of the review of our product applications, enforcement actions, injunctions and criminal prosecution, as well as reputational harm, reduced sales and market share. Moreover, the production of biologics and biosimilars products is subject to a particularly complex regulation, which is also unclear in certain countries. Failure to comply with such regulations may lead to production failures, recalls or fines. In addition, we could incur substantial remediation costs. If any of these risks materialize, our sales could be materially and adversely affected.

While we believe that we are taking adequate measures to mitigate the regulatory risk, there is no assurance that, should regulatory scrutiny further increase, they will continue to be effective. In addition, continuing compliance with increased regulatory scrutiny is likely to increase our costs. We also have affiliations, in-licensing agreements and other arrangements with third parties that depend on regulatory approvals of their processes and products. These third parties are subject to similar regulatory compliance. If any of those third parties does not comply with our regulatory requirements, we could be adversely affected if their non-compliance results in an interruption in our supply of raw materials or ingredients or, in the case of any of our licensors, it hinders our ability to produce our in-licensed products.

Any failure by us or any of our third party suppliers or licensors to comply with governmental regulations, or any regulatory action taken against us, could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

***We are exposed to changes in demand for our products due to economic, political and regulatory factors which are beyond our control.***

Our results of operations have been, and continue to be, affected by the conditions in the global economy. For example, international conflicts, such as the conflict between Russia and Ukraine, and the political situation in certain countries in which we operate, such as the United Kingdom, may adversely affect the macroeconomic environment. See *“—We operate manufacturing facilities and have significant sales in Russia, which has experienced conflicts with certain of its neighboring countries and has been and may in the future be the subject of international sanctions”* and *“—The result of the United Kingdom’s withdrawal from the European Union may have a negative effect on our business.”* These events have influenced, and may continue to influence, the development of our sales in the relevant markets.

While sales in our Generics segment, which mostly comprises non-discretionary prescription products, are less vulnerable to adverse economic conditions, our results of operations in the Branded Products segment, which is mostly comprised of self-pay OTC products, is more sensitive. An economic downturn and lower household incomes can significantly depress demand in the self-payment market, *i.e.* the market for pharmaceutical products for which consumers are not reimbursed as part of their individual national health insurance plan.

We believe that we are particularly exposed to a deterioration in the Russian economy. Russia accounted for €243 million, or 11%, of our sales in the year ended December 31, 2016. Russia does not have a comprehensive state healthcare system, and we estimate that the Russian self-payment market makes up 94% of the Russian pharmaceuticals market. As a result, Russia's recent economic deterioration had, and any future downturn may have, a particularly negative impact on our sales. In addition, the United Kingdom accounted for €198 million, or 9%, of our sales in the year ended December 31, 2016, 88% of which was in Branded Products. As a result, we believe we are also exposed to any deterioration in the UK economy, and there can be no assurance that Brexit (as defined below) or other factors may not result in a decline in the economic condition of the United Kingdom. In addition, our Generics segment is also exposed to fluctuations in the economy to the extent economic, political and regulatory factors induce cost-containment reform measures in any country, which could affect reimbursement rates and our sales of prescription drugs. For example, the sustained economic downturn in Spain has resulted in a number of cost-containment measures in recent years. See “—Existing and future healthcare cost-containment reform measures by government health authorities or government-sponsored healthcare systems could adversely affect our business.”

Any of these factors, or others that we cannot anticipate, may adversely affect our business, results of operations and financial condition and could adversely affect our ability to perform our obligations under the Notes.

***Existing and future healthcare cost-containment reform measures by government health authorities or government-sponsored healthcare systems could adversely affect our business.***

In various countries where we operate, government health authorities provide healthcare at low direct cost to consumers and regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. The continuing increase in healthcare expenditure has therefore been the subject of considerable government attention in many of the countries in which we operate, particularly as public resources have been stretched by the global economic crisis. Further, in recent years, the increasing average age of the population and the associated increasing demand for pharmaceutical products has led to rising healthcare costs.

Increasing expenditure on healthcare has been the subject of considerable public attention. In recent years, many countries across the globe have discussed or implemented a measure of healthcare reform. The primary focus of these reforms was to introduce cost-containment measures and optimize governmental healthcare spending, particularly for prescription drugs, which account for a major part of our sales. Measures implemented in line with these reforms are fragmented and vary by country. The Russian government, for example, has released a list of vital and essential pharmaceuticals (“VEP”) which are subject to mandatory price caps. Overpricing can result in fines and other penalties. Certain European countries have introduced numerous austerity measures to lower healthcare spending, including mandatory discounts, clawbacks and price referencing rules. In certain cases, reimbursements for high-priced drugs were refused. The United Kingdom and Germany introduced new systems to determine cost effectiveness of drugs, which will decide the reimbursement level for a drug. In Spain the government's pricing and reimbursement policy is focused on cost-containment measures as they attempt to reduce the financial deficit, which has repeatedly resulted in price cuts, reductions to wholesale and retail margins and cuts to the list of reimbursable drugs since 2000; we believe the pace at which these regulatory measures are enacted has accelerated in recent years. The Spanish government has also enacted four royal decree-laws since 2010 that have directly affected the pharmaceutical industry by means of price reduction of older pharmaceutical products, mandatory rebates on drugs and medical devices, and limitations for the numbers of products eligible for a reimbursement under the Spanish National Health Service. Certain countries also cut their healthcare expenditure budgets or fixed them at a particular amount. Furthermore, mandatory price cuts were introduced in respect of both generic and patented drugs.

While most of our Branded Products are non-reimbursable OTC drugs, which are generally less affected by the above measures, those measures may affect our Generics segment, which is mostly comprised of prescription products, in a number of ways. Cost control initiatives could decrease the price that we receive for any Generics product we develop in the future. As a result, we may be disincentivized from developing and marketing new products or from entering new markets. Existing regulations that affect the price of pharmaceutical and other medical products may also change before our products are approved for marketing. Our products may not be considered cost effective or adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an adequate return on our

investment. The governments of the countries where we operate may, in the future, implement further regulations that impose additional pressure on the price of pharmaceutical products.

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

***Obtaining and maintaining necessary government approvals for manufacturing and marketing our products is time consuming, and may not in each instance prove successful.***

We must obtain a marketing authorization and other regulatory certifications, licenses and approvals prior to marketing or manufacturing new pharmaceutical products, which applies to both Generics and Branded Products. See “*Regulation*” and “*—We are subject to extensive governmental regulation and changes in these regulations, or failure by us or any of our third party suppliers to comply with regulations, could harm our business.*” Although less onerous than for originator pharmaceutical companies, the process of obtaining marketing authorizations and other regulatory certifications, licenses and approvals to manufacture and market pharmaceutical products is rigorous, time consuming and costly. Depending on the country and therapeutic area, issuance of an approval may take over two years. As the authorization process is time-consuming, we may be unable to realize the momentum for the launch of new products, which may result in the loss of sales and market share. To the extent that we are unable to secure timely approvals for new products, we will depend on our existing products to maintain our sales. There is no assurance that these products will continue to remain competitive and generate sufficient sales over time.

There is no assurance that we will obtain the governmental approval of any application we submit for the commercial sale of a product in time, or at all. Delays in any part of the process or our inability to obtain or maintain regulatory approval in respect of our products could adversely affect our operating results by restricting or delaying the introduction of new products. For example, the EMA requested further clinical data in connection with the pending approval for pegfilgrastim, and we and our license partner, Gedeon Richter, agreed in November 2016 to withdraw the approval application and resubmit it once all the data has been successfully collected. If health or safety concerns arise with respect to a product, we may be forced to withdraw it from the market and could face legal action if any harm came from the use of such product. Furthermore, our products must be successfully registered in the markets in which they are commercialized. For example, in the Generics segment, a significant factor in the development and approval of each product is the strict observance of commercial property rights, such as patents and supplementary protection certificates.

Moreover, if we obtain regulatory agency approval for a drug, it may be limited with respect to the indicated uses for which the drug may be marketed, which could in turn restrict our potential market for the drug. The discovery of previously unknown problems with any of our pharmaceutical products could result in restrictions on the use of a drug including possible withdrawals of the drug from the market. Any delays in obtaining the governmental approval or authorization of new or existing products may have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

***If we are unable to successfully develop, manufacture or commercialize new Generics Products in a timely manner, it could adversely affect our business, results of operations and financial condition and our ability to perform our obligations under the Notes.***

We are focused on generics, and therefore only conduct limited proprietary research on new drugs. As a result, we do not typically incur material research expenses. As a generics company, however, we incur development costs in connection with marketing authorizations and the production of our new products, as well as other activities that facilitate their commercialization. As a result, future results of operations depend, to a significant extent, on our ability to develop, manufacture and successfully commercialize new products in a timely manner. The development, manufacturing and commercialization process is time consuming. We must develop, test and manufacture our products as well as successfully register them in each relevant jurisdiction. All of our products must meet and continue to comply with regulatory and safety standards in each of the markets they are to be commercialized. There is no assurance that the necessary marketing authorizations will be obtained in a timely manner or at all and delays or inability to obtain regulatory approval could adversely affect our business. See “*—Obtaining and maintaining necessary government approvals for manufacturing and marketing our products is time consuming, and may not in each instance prove successful.*”

Our products currently under development, if and when fully developed and tested, may not perform as expected or may face greater than expected competition. In addition, our new products may be unable to achieve their planned value. Successful development and manufacture of new products also depends on our ability to secure, on a timely basis and on commercially reasonable terms, the required raw materials. In addition, there is no assurance that our new products will be accepted by the medical community in our target markets. See “—*Our ability to market our products successfully depends, in part, upon the acceptance of the products not only by end-users, but also by independent third parties, including public health insurers, doctors and pharmacists depending on the jurisdiction in which we operate.*” Finally, we are dependent on partnerships and joint ventures with third parties and we face the risk that some of these third parties may fail to perform their obligations under the relevant contracts, thus reducing our ability to successfully develop, manufacture or commercialize new products in a timely manner. See “—*We are exposed to default or counterparty risks in connection with our operating business or as a result of contracting parties’ failure to meet their contractual obligations.*”

Should any of the above risks materialize, it could have a material adverse effect on our business, our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

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

From time to time, we are involved in various litigation matters, including product liability claims, warranty obligations claims, alleged violations of trade confidentiality and others. See also “*Business—Legal Proceedings,*” “—*Our reputation among end-users and other market participants may suffer due to product liability or contamination issues, whether actual or perceived*” and “—*Third parties may claim that we infringe their proprietary rights, and as a result we may be prevented from manufacturing and selling our products.*” When we determine that a significant risk of a future claim against us exists, we record provisions in an amount equal to our estimated liability. However, there can be no assurance that our provisions will be sufficient to cover our actual litigation costs. In addition, third-party litigation, including litigation related to competition law, anti-trust law, tax law, patent law and to the implementation of individual regulatory requirements in the provision of healthcare at a national or supranational level, could have an indirect, materially adverse impact on us and the market environment in which we operate.

As of the date of this offering memorandum, we are involved in six pending general litigation claims none of which we consider to be material.

There can be no assurance that we will be successful in defending ourselves in pending or future litigation claims or similar matters under various laws or that product-specific provisions will be sufficient to cover litigation costs. Moreover, it may be difficult for us to obtain and enforce claims related to existing litigation under the laws of certain countries in which we operate at affordable costs and without any materially adverse effects on our business in such country.

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

***Third parties may claim that we infringe their proprietary rights, and as a result we may be prevented from manufacturing and selling our products.***

There has been substantial litigation in the pharmaceutical industry with respect to the manufacture, use and sale of generic pharmaceutical products. These lawsuits relate to the validity and infringement of patents or proprietary rights of third parties. Originator and generic pharmaceutical companies are increasingly patenting not only the relevant molecules or manufacturing processes relating to a final dosage product, but also formulations and production processes of active pharmaceutical ingredients.

While we believe that our products do not infringe in any material respect upon commercial property rights of other parties, we believe that patent infringement claims are typical of our industry. While we generally take great care in ensuring that new products we launch do not violate any intellectual property rights of third parties and seek to refrain from selling products prior to the expiration of their patent protection, there can be no assurance that an intellectual property infringement claim could not be brought against us and that we would not be found to infringe on the commercial property rights of others. This is also due to the fact that, in certain countries, such as Italy, patent applications are not publicly disclosed until the patent is issued and, therefore, we may not be aware of currently filed patents.



As of the date of this offering memorandum, we are involved in four pending patent infringement actions. We believe that the claims alleged in these actions have no merit and that we will not be required to make any material compensation payment.

We may also be subject to significant damages or an injunction preventing us from manufacturing, selling or using some of our products in the event of a successful claim of patent or other intellectual property infringement. Furthermore, a significant third party claim could result in management's attention being distracted from current operations.

The outcome of intellectual property related proceedings could adversely affect, hinder, delay or prevent the manufacture, use, marketing or sale of our products or processes. We may also be required to pay substantial damages or change our product offerings or expend significant resources to develop non-infringing products or processes. Any of the above could affect our ability to compete or have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We rely, in part, on license, collaboration and other agreements to develop our product portfolio. For example, we occasionally enter into research and development partnerships with universities. The underlying collaboration agreements may provide that we are granted the exclusive license to commercialize the final product. Our present and future licenses, collaborations and other intellectual property related agreements may impose various development, commercialization, funding, milestone, royalty, diligence, sublicensing, insurance, patent prosecution and enforcement or other obligations on us. If we breach any of these obligations, or use the intellectual property licensed to us in an unauthorized manner, we may be required to pay damages and our licensors may have the right to terminate the license. If our license or other intellectual property related agreements are terminated, we may be required to cease developing and commercializing drug candidates that are covered by the licensed intellectual property.

In addition, our licensing, collaboration and other agreements the agreements under which we license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected drug candidates. For example, such disputes may relate to: (i) the scope of rights granted under the agreement and other interpretation related issues, (ii) the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the agreement, (iii) the sublicensing of patent and other rights under our collaborative development relationships, (iv) our diligence obligations under the agreement and what activities satisfy those diligence obligations, (v) the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our collaborators and (vi) the priority of invention of patented technology.

To help protect any proprietary know-how we develop and any inventions for which patents may be unobtainable or difficult to obtain, we may have to rely on trade secret protection and confidentiality agreements. There can be no assurances that all of our employees, consultants, advisors and contractors that have access to our trade secrets and confidential information will agree to enter into agreements which prohibit the disclosure of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business. Even where such persons entered into such agreements, these agreements may not provide adequate protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information. If any of our trade secrets, know-how or other proprietary information is disclosed, the value of our trade secrets, know-how and other proprietary rights would be significantly impaired and our business and competitive position would suffer.

If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant program or drug candidate, which could have a material adverse effect on the Target Group's net assets, financial condition and results of operations.

***Industrial action or adverse labor relations could disrupt our operations and have an adverse effect on our operating results.***

Our operations depend on employees who are parties to collective bargaining arrangements, works agreements and/or benefits from local applicable law, defined benefit plans, regulation or custom regarding employee rights and benefits. If we are unable to maintain satisfactory employee relations or negotiate acceptable labor agreements in future, the results could include work stoppages, strikes or other industrial action or labor difficulties (including higher labor costs) at any or all of our global facilities.

While we believe that we have good relations with unions and employees generally, there can be no assurance that our relations will not deteriorate and that we will not experience labor disputes in the future. Any of these adverse labor situations could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

***Our reputation among end-users and other market participants may suffer due to product liability or contamination issues, whether actual or perceived.***

Although generic companies, such as us, are engaged in the reproduction of pharmaceutical products and their active pharmaceutical ingredients that are vetted by regulations and often have been in the market for ten or more years, there is a risk that our Group may be liable, or incur costs related to, liability claims if any of their products cause injury or are found unsuitable during development, manufacture, sale or use. The risk exists even with respect to products that have received, or may receive in the future, regulatory approval for commercial use. Moreover, our products could contain contaminated substances that we do not identify during our manufacturing process, and adverse reactions resulting from human consumption of these ingredients could occur. We could also be subject to product liability claims as a result of defective raw materials we purchase from third parties. As of the date of this offering memorandum, we are involved in one such product liability claim in connection with one of our generics products distributed in France. See “*Business—Legal Proceedings.*”

Product liability lawsuits could be costly to defend, and could result in reduced sales, substantial monetary awards to clinical trial participants or customers, harm to our brand and reputation, the inability to commercialize products that we develop and diversion of management’s time, attention and resources. Considerable sums in damages have been awarded in certain countries against pharmaceutical companies due to physical harm allegedly caused by the use of certain products. Product liability claims may force us to withdraw some of our products from the market, thus creating potential for further claims. Regardless of merit or eventual outcome, liability claims would likely result in negative publicity, decreased demand for any products that we may develop, injury to our reputation and suspension or withdrawal of clinical trials and require us to incur significant legal fees. We currently have insurance coverage for product liability claims. See “*Business—Insurance.*” However, such insurance may not be sufficient to cover all or even a material part of a significant product liability claim. Furthermore, at any time, insurance coverage may not be available on commercially reasonable terms or at all.

Our failure to successfully defend a product liability lawsuit could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

***Our ability to market our products successfully depends, in part, upon the acceptance of the products not only by end-users, but also by independent third parties, including public health insurers, doctors and pharmacists depending on the jurisdiction in which we operate.***

Our ability to market our products successfully depends, in part, on the acceptance of products by independent third parties, including public health insurers, doctors, pharmacists, wholesalers, distributors, hospitals, group purchasing organizations, government representatives and other retailers, as well as end-users. In our Branded Products Segment, we rely to a significant extent on the strength of our brands and reputation and our acceptance by the third party agents and distributors. Examples of our strongest brands include APO-Go, Covonia, Ladival, Aqualor and Grippostad. Unanticipated side effects or unfavorable publicity concerning any of our products or brands, or the brands of our in-licensed products, could have an adverse effect on our ability to achieve acceptance by prescribing physicians, managed care providers, pharmacies and other retailers, customers and patients.



In addition to the strength of our brand and reputation, acceptance of any of our products among the medical community depends upon a variety of factors, many of which are beyond our control. With respect to Generics and prescription items in our Branded Products segment these factors include the following:

- acceptance by payors, physicians, pharmacists and end-customers of each product as an effective treatment;
- whether a physician is receptive to our product and how quickly the physician adopts it as an accepted treatment;
- the product's price;
- the product's perceived advantages and disadvantages relative to competing products or treatments;
- the prevalence and severity of side effects; and
- the adequate reimbursement by third parties, such as insurance companies.

If our products have received a marketing authorization from the regulatory authorities but do not achieve an adequate level of acceptance by independent third parties, we may be unable to generate sufficient or any sales from these products to make them profitable. If our products fail to maintain significant market acceptance, it could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

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

We strive to deliver high quality pharmaceutical products to our customers. The manufacture of our products is highly exacting and complex due, in part, to strict regulatory requirements governing their manufacture. We rely on complex machinery and information technology systems to support our manufacturing processes, as well as internal and external communications with respect to supplies, quality control and distribution. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials and environmental factors. If problems are severe, we may be forced to temporarily suspend all or part of our production until the problems are rectified. Any of this is likely to result in increased costs, lost sales, damage to customer relations, failure to perform existing contracts, time spent investigating the cause, remedial costs and, depending on the cause, similar losses with respect to other batches or products. In addition, although we have not encountered any material product recalls in recent years, where problems are not discovered before the product is released to the market, we may be forced to recall products from the market. In certain cases, we may face product liability claims and incur respective costs. See “—*Our reputation among end-users and other market participants may suffer due to product liability or contamination issues, whether actual or perceived.*”

The facilities used to manufacture our products are subject to periodic inspections by regulatory authorities to assess compliance with the relevant principles of GMP. See “—*We are subject to extensive governmental regulation and changes in these regulations, or failure by us or any of our third party suppliers to comply with regulations, could harm our business.*” While we manufacture most of our products, others are manufactured by our contract manufacturing partners. Although we are ultimately responsible for ensuring that our products are manufactured in accordance with the principles of GMP and believe that we diligently monitor our suppliers' compliance within the applicable requirements, we do not control the day-to-day activities of, and we are dependent on, the contract manufacturing partners for their compliance with GMP requirements. If we or any of our suppliers were to violate the applicable principles of GMP, we or such supplier could be fined, and the competent regulator could impose a complete shutdown of such supplier's non-compliant manufacturing plant. As a result, we could become subject to a supply shortage with respect to the products we source from the sanctioned supplier. If our inventories of these products turn out to be insufficient, this could adversely affect our sales. If our manufacturing partners or we cannot successfully manufacture materials that conform to our specifications and the strict requirements of the relevant regulatory authorities, our manufacturing contractors and we will not be able to secure or maintain regulatory approval for our respective manufacturing facilities. If a regulatory authority does not approve a facility for the manufacture of our products or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities. Although we carry out compliance checks, the occurrence or suspected occurrence of production not in line with our specifications or regulatory requirements can lead to lost inventories, and in some cases product recalls

and enforcement action, with consequential damage to our reputation and the risk of product liability. The investigation and remediation of any identified problems can cause manufacturing delays, substantial expense, lost sales and the delay of new product launches.

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

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

In the past, we have grown through a combination of organic development and acquisitions, and we intend to continue this combination in the future. Examples of our recent acquisitions during the periods presented herein include our acquisition of the Argentinean generics manufacturer Laboratorio Vannier, which is specialized in certain niches that are generally subject to only a low degree of price regulations such as conditions of the central nervous system, cardiology and diabetes, a Serbian product portfolio aimed at gastrointestinal disorders, the British Branded Products company Natures Aid Limited, a well-known manufacturer of vitamins, minerals, food supplements and herbal products, the Russian Branded Products AndroDoz and NeroDoz, which are positioned in the area of men's health, SCIOTEC Diagnostic Technologies GmbH, an important player in the development and marketing of prescription-free, OTC products against enzymatic food intolerances (histamine, fructose and lactose intolerance), the Russian Branded Products portfolio Aqualor and the production and distribution rights for the Branded Product Flexitol for the United Kingdom and Ireland. Furthermore, we sold the French company Laboratoires d'études et de recherches en oligo éléments thérapie SA. We believe that none of these acquisitions materially affected the comparability of our results of operations. Although there are no material acquisitions currently pending or planned, acquisitions continue to be a part of our future growth strategy.

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

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

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

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

***Our operations may be disrupted by accidents, equipment malfunctioning or other unexpected events.***

Although we believe that we have adopted and maintain adequate safety precautions, if one or more of our production facilities were to suffer a serious accident, breakdowns, equipment malfunction or other unexpected events, a part of our production capacity could be jeopardized and our sales and net income would be materially adversely affected until we repair or find a replacement for any such facility or machinery. While we believe that we maintain sufficient insurance to cover any such property and other asset damages, depending on the risk and type of asset or property insured, any losses related to a serious accident, equipment malfunction or other unexpected event could exceed the amount of this coverage. In addition, the refurbishment or reconstruction of any of our production facilities or the construction of new facilities could be subject to regulatory approval by the competent health authorities of the jurisdictions in which they are located as well as the health authorities of some or all of the jurisdictions to which products from such facilities are exported, which could result in significant delays in the resumption of product manufacturing. If any of the above were to materialize, it could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

***Accidental contamination, non-compliance with environmental, health and safety laws or environmental, health and safety litigation or liability, could adversely impact our business and operating results.***

Our product development and manufacturing processes involve the use of chemicals and include hazardous or toxic materials. These programs and processes expose us to risks of accidental contamination, events of non-compliance with environmental, health and safety laws and regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events. If an accident occurs, or if contamination is discovered, we could be liable for cleanup obligations, damages or fines, which could have an adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes. We are currently not aware of any material contamination incidents or material non-compliance with environmental, health and safety laws.

The environmental laws of many jurisdictions in which we operate may impose potential obligations to clean up contaminated sites. These obligations may relate to sites that we acquire, own or operate, that we formerly owned or operated, or for which we may otherwise have retained liability or where waste from our operations was disposed. Were such environmental clean-up obligations to arise they could significantly reduce our operating results. In particular, any financial accruals which we may make for these obligations might be insufficient if the assumptions underlying the accruals proved to be incorrect, or if we are held responsible for additional contamination.

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

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

Although we have a large number of suppliers and customers and believe that our business is not materially dependent on any single one of them, failure to renew contracts with material suppliers, such as suppliers of active pharmaceutical ingredients, equipment (including, for example, medical devices) or other items and material customers, such as hospitals, pharmacies and drug stores could negatively impact our business. In addition, some of our major supply and wholesale contracts are subject to change of control provisions that may grant the respective counterparties the right to terminate the relevant contracts as a result of a change of control, which in certain but not all contracts may shorten the termination or contract period originally contemplated under the contract. At the end of a contract's term, which may be accelerated as a result of a change of control termination, these suppliers or wholesalers have a choice to either renegotiate their contract with us, increase or decrease its scope (with our consent), seek out our competitors to provide the same or similar services or cease outsourcing of the relevant activity. Whenever a contract expires or is due for renewal, suppliers and wholesalers may seek price adjustment from us. In addition, these parties may seek a price adjustment when their business experiences significant volume changes. Further, certain suppliers or wholesalers may seek to increase prices previously agreed with us

due to pricing competition or other economic needs or pressures being experienced by the supplier or the wholesaler. If our contracts are terminated either by a material supplier or wholesaler (for example, as a result of a change of control event being triggered) or not extended upon their termination, if our material suppliers or wholesalers shift business away from us, or if we are unsuccessful in retaining high renewal rates and contract terms that are favorable to us, this can cause delays and may have a material adverse effect on our business and our respective operating segments, financial condition, results of operations and on our ability to perform our obligations under the Notes.

***Changes in large volumes of demand arising from tender systems could lead to delivery bottlenecks or unintentional increase in inventories.***

Tender systems for generic pharmaceutical products have been implemented (by both public and private entities) in a number of significant markets in which we operate, such as Germany, in an effort to lower prices. Under such tender systems, governments or private entities do not directly set the prices of pharmaceutical products (including generic pharmaceutical products) but manufacturers submit bids that establish prices for generic pharmaceutical products and governments or private entities select a winning bidder. These measures affect competition, marketing practices and reimbursement for drugs.

Initially, the tender system in Germany resulted in intense price-based competition, which pushed pricing of generics products to marginal-cost level. Although competition subsequently decreased and margins have partially recovered, as many smaller competitors proved unreliable in terms of their ability to fulfill large orders, there can be no assurance that new entrants will not intensify the level of competition again. Moreover, tender systems implemented by governmental institutions or public health insurance organizations could determine fluctuations in national markets leading to changes in large volumes of demand of pharmaceutical products. These fluctuations have a direct consequence on our business. Even if we undertake great efforts to avoid delivery bottlenecks or unintentional increase in inventories by way of scenario calculations and specific operational positioning of the respective supply chain, these events cannot generally be ruled out due to our extensive portfolio. Any of these events could have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

***Any significant increases in the cost of active ingredients or auxiliary materials used in manufacturing our products or their availability could adversely impact our profit margins and operating results.***

Affordable, high quality active ingredients or auxiliary materials are essential to our business due to the nature of the products we manufacture. Active ingredients and auxiliary materials are generally available from multiple suppliers and often sourced locally. We acquire these ingredients and auxiliary materials directly from the suppliers or enter into contracts with manufacturers producing the pharmaceutical products. Increased prices, rationing or shortages as well as fluctuation in prices can occur. In some cases, we manage these risks through mechanisms aimed at reducing our financial exposure, such as price escalation clauses (which link procurement prices to current selling prices) and specific procurement prices for specific sales volumes. However, there can be no assurance that rapid cost increases or extended supply shortages will not occur and adversely impact our financial condition, results of operations and our ability to perform our obligations under the Notes.

***We are subject to risks associated with cross border sales and purchases.***

We market our products in approximately 125 countries globally, with a direct presence in more than 30 countries from which we carry out our local and export sales. Due to differing regulatory regimes, certain of our products may be classified as Generics in some countries and as Branded Products in others. Different classifications could also result in pricing differences, which may be material. Cross border operations are subject to risks, including but not limited to:

- inadequate protection of intellectual property;
- difficulties and costs associated with complying with a wide variety of complex domestic and foreign laws, regulations and treaties, some of which are subject to change;
- legal uncertainties regarding, and timing delays associated with, customs procedures, tariffs, import or export licensing requirements and other trade barriers;
- differing local product preferences and product requirements;



- increased difficulty in collecting delinquent or unpaid accounts;
- risk of loss at sea or other delays in the delivery of products caused by transportation problems;
- differing tax regimes; and
- economic sanctions and restrictions on exports and other transfers of goods (see “—*Our international sales and operations increase the risks associated with economic and trade sanctions imposed by the European Union and other jurisdictions*”).

Any of these factors, individually or in the aggregate, could adversely affect our operating results.

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

We develop, manufacture and market a broad range of generic and branded pharmaceutical products which are available in approximately 125 countries, including Serbia, the United Kingdom, Germany, Russia, Montenegro, Vietnam, Bosnia and Herzegovina, China, Argentina and Austria. Both of our operations and those of our local sales and business partners in these countries may be subject to the following risks: changes in the rate of economic growth; unsettled political or economic conditions; expropriation or other governmental actions; social unrest, war, terrorist activities or other armed conflict; bribery and corruption; national and regional labor strikes; confiscatory taxation or other adverse tax policies; deprivation of contract rights; trade regulations affecting production, pricing and marketing of products; anti-trust risks; reduced protection of intellectual property rights; restrictions on the repatriation of income or capital; exchange controls; inflation; currency fluctuations and devaluation; the effect of global environmental, health and safety issues on economic conditions, market opportunities and operating restrictions; and changes in financial policy and availability of credit. In addition, we or any of our local business partners may be subject to legal proceedings regarding bribery and corruption in these countries, and we are unable to ensure or monitor the lawful conduct of our business partners’ operations. These factors could adversely affect our financial condition, results of operations and our ability to perform our obligations under the Notes.

***The pricing of cross-border transactions is often the subject of negotiation with tax authorities, and any adjustments imposed may lead to greater or double taxation of profits.***

Most national tax authorities follow the Organization for Economic Cooperation and Development or United Nations guidelines when considering the arm’s length nature of cross-border pricing of goods and services. Adjustments made by a national tax authority may not lead to a corresponding adjustment in the other tax jurisdiction. Also, even where a corresponding tax adjustment is allowed, national tax rates may be different and may therefore increase our overall burden of taxation. Our cross-border trade is increasing and, although we benchmark our intercompany pricing regularly, the risk of an adverse adjustment will require constant monitoring, which may require a substantial amount of the management resources. Potential discrepancies in the adjustments made by the tax authorities in certain jurisdictions may result in an increased tax burden of our Group.

***We operate manufacturing facilities and have significant sales in Russia, which has experienced conflicts with certain of its neighboring countries and has been and may in the future be the subject of international sanctions.***

We operate two manufacturing facilities in Russia, which together employed 774 people as of December 31, 2016, and Russia accounted for €242.6 million, or 11.3%, of our sales in 2016. Russia has experienced conflicts with certain of its neighboring countries, including Ukraine. As a result of these conflicts, Russia has become subject to international sanctions (including sanctions by the European Union and Ukraine, which are most relevant to STADA’s business) some of which impose restrictions on imports from Russia. These sanctions, coupled with low commodity prices, the devaluation of the Russian ruble against other major currencies and high inflation, contributed to the decrease in our financial performance in Russia since 2014, which affected both our sales and earnings. Some of these sanctions have recently been extended in light of the continuing turmoil in Ukraine. While certain countries exempt pharmaceutical products, such as ours, from the scope of their sanctions, no such exemption applies under the Ukrainian sanctions regime. Because we serve the Ukrainian market through supplies from our presence in Russia, these sanctions currently prevent us from making any sales into Ukraine, which adversely affects our sales and profitability. Furthermore, the Ukrainian sanctions regime prohibits both our Ukrainian operations and their financing banks from making payments into Russia. As a result, our Russian presence is currently unable to collect its receivables against our Ukrainian operations from past

deliveries. While discussions for a possible exemption for pharmaceutical products from the scope of these sanctions are currently ongoing and we may be able to reroute our sales, these sanctions are currently affecting our sales volume in Ukraine and there can be no assurance that we will be able to obtain an exemption for our pharmaceutical products or reroute our sales in the near future or at all. In addition, there is a risk that these countries may further expand the scope of their sanctions against Russia and that other countries will impose similar sanctions in the future. See “*—We are subject to risks associated with cross border sales and purchases.*”

Moreover, our manufacturing facilities in Russia could be disrupted by the conflict with Ukraine or by other wars, political unrest, terrorist activity, or economic upheaval. Any such disruption could cause losses in efficiencies, delays in shipments of our products and the loss of sales and customers, and insurance proceeds may not adequately compensate us for our losses. Furthermore, our operations in Russia may be subject to risks arising from a less stable legal and regulatory framework and a less transparent enforcement of the law. This could result in, *inter alia*, an increased difficulty of enforcing contracts, collecting trade receivables, imposition of additional regulations, an increase in taxes or restriction of the import of products. Any of these factors could potentially affect our sales and the operation of our manufacturing facilities resulting in a material adverse effect on our financial condition, results of operations and our ability to perform our obligations under the Notes.

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

Economic sanctions and restrictions on exports and other transfers of goods have in the past been imposed on companies engaging in certain types of transactions with specified countries in which we do business, including but not limited to Russia, Lebanon, Yemen, Sudan, Libya and Iran. Although pharmaceutical products are generally excluded from the scope of sanctions, our exports and transfers could be impacted by such sanctions, which would limit our ability to trade with sanctioned individuals and/or sanctioned countries and create practical complications with our exports, especially in terms of our interaction with banks and receiving payments from sanctioned countries. For example, the competent authorities could require banks to withhold payments due to us from sanctioned customers or countries. The European Union and other countries have also enacted sanctions that prohibit transactions by their citizens and domiciled entities involving certain specially designated individuals and entities from sanctioned countries or participating in sanctioned activities including, but not limited to, terrorism and drug trafficking. In addition, the European Union, the United States and certain other countries have recently implemented measures against Russia in connection with the continuing turmoil in Ukraine. See “*—We operate manufacturing facilities and have significant sales in Russia, which has experienced conflicts with certain of its neighboring countries and has been and may in the future be the subject of international sanctions.*”

The terms of legislation and other rules and regulations which establish sanctions regimes are often broad in scope and difficult to interpret. Neither our affiliates nor we are currently the target of any such sanctions and we have adopted policies and procedures designed to comply with applicable sanction regulations. However, these regulations and their enforcement could potentially affect our sales in the affected countries and force us to change or abandon our growth plans. In addition, failure to comply with such regulations could result in significant fines.

Although we currently do not have a direct presence in the United States and are mainly affected by sanctions implemented by the European Union, we may not exclude that sanctions enacted by the United States could affect us in the future. Any of the foregoing economic and trade sanctions could result in a material adverse effect on our financial condition, results of operations and our ability to perform our obligations under the Notes.

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

The United Kingdom’s initiation of the process to withdraw from the European Union pursuant to Article 50 of the Treaty on European Union following the national referendum in June 2016 (“Brexit”), has created significant uncertainty about the future relationship between the United Kingdom, one of our current markets, the EU and its remaining member states and may constitute an additional risk for the financial markets and the European economy. Brexit could, among other outcomes, significantly disrupt trade between the United Kingdom and the EU, cause political and economic instability in other countries of the EU, including in our main markets such as Germany, Italy and Spain, contribute to instability in



global financial and foreign exchange markets, including volatility in the value of the euro and an increase in cost pressure in the healthcare system resulting, for example, in price reduction of our products. Brexit might also affect our ability to maintain the current level of sales in the United Kingdom, accounting for €198.3 million, or 9% of our consolidated sales as of December 31, 2016. Given the lack of comparable precedent, it is unclear what financial, trade and legal implications the Brexit will have and whether, and to what extent, our business might be affected. In addition, the Scottish regional government is actively considering a second referendum on Scottish independence from the United Kingdom which may lead to additional uncertainty and may affect our business activities in Scotland and other parts of the United Kingdom.

***Our sales and profits from generic pharmaceutical products may decline as a result of competition, both from other pharmaceutical companies and as a result of increased governmental pricing pressure.***

Our generics products face intense competition. Prices of generics typically decline, especially as additional generic pharmaceutical companies (including low-cost generic producers based in China and Vietnam) receive approvals and enter the market for a given product and competition intensifies. Consequently, our ability to sustain our sales and profitability on any given product over time is affected by the number of new companies selling such product and the timing of their approvals.

In addition, intense pressure from government healthcare authorities, particularly in highly regulated European markets, to reduce their expenditures on prescription drugs has resulted in lower pharmaceutical pricing, causing decreases in sales and profits.

Furthermore, brand pharmaceutical companies continue to defend their products vigorously. For example, brand companies often sell or license their own generic versions of their products, either directly or through other generic pharmaceutical companies (so-called “authorized generics”). No significant regulatory approvals are required for authorized generics, and brand companies do not face any other significant barriers to entry into such market. Brand pharmaceutical companies may also seek to delay introductions of generic equivalents, by a variety of commercial and regulatory tactics (such as, obtaining and enforcing new patents on drugs whose original patent protection is about to expire, questioning the quality and bioequivalence of generic pharmaceutical products, developing controlled-release or other slightly modified versions, which often reduce demand for the generic version of the existing product for which we are seeking approval, changing product claims and product labeling or developing and marketing OTC versions of brand products that are about to face generic competition). These actions may increase the costs and risks of our efforts to introduce generics products and may delay or prevent such introduction altogether.

***Our products may cause undesirable side effects or have other properties that delay or prevent their regulatory approval or limit their commercial potential.***

Although we disclose all known material side effects of our Generics and Branded products in leaflets included in each product packaging, undesirable side effects caused by any of our product candidates could cause us or regulatory authorities to interrupt, delay or halt development, could result in the denial of regulatory approval of our product, lead to potential products liability claims and could damage our brand reputation.

Any of these events could prevent us from achieving or maintaining the commercial success of our product candidates, could substantially increase commercialization costs and, in general, could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

***Counterfeit versions of our products could harm our patients and reputation.***

Our industry continues to be challenged by the vulnerability of distribution channels to illegal counterfeiting and the presence of counterfeit products in a growing number of markets and over the Internet. Counterfeit products are frequently unsafe or ineffective, and can potentially be life-threatening. To distributors and patients, counterfeit products may be visually indistinguishable from the authentic version. Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the authentic product, and harm the business of companies, including ours, or lead to litigation. In addition, it is possible that adverse events caused by unsafe counterfeit products could mistakenly be attributed to the authentic product. While we are not aware of

any material cases in the past, if one of our products was the subject of counterfeits in the future, we could incur substantial reputational and financial harm.

***We commercialize some of our products under license from third party pharmaceutical companies.***

As at December 31, 2016, we commercialized certain of our products under license from a variety of pharmaceutical companies. Our license agreements for in-licensed products typically provide that the licensor shall manufacture such products for an initial term of several years and impose payment and other material obligations on us. Although we believe that we currently comply with all of our material obligations under these licenses, should we breach any such obligations, our counterparties may be entitled to terminate the licenses. This may restrict, delay or eliminate our ability to continue commercializing these in-licensed products, which could adversely affect our business.

Our failure to in-license new products or compounds for development and distribution, replace existing products as needed or to retain our currently in-licensed products on a commercially reasonable basis, or at all, could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

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

We are highly dependent on our senior management and key employees, including our scientific, technical and sales personnel. The loss of any senior manager or key employee may significantly delay or prevent the achievement of our product development or business objectives. Due to the specialized scientific nature of our business, we are highly dependent upon our ability to continue to attract and retain qualified scientific, technical and sales personnel. Loss of the services of, or failure to recruit, key management, scientific, technical or sales personnel could be materially detrimental to our business and financial condition. We face competition for scientific and technical personnel from other companies, academic institutions, government entities and other organization. Such competition is also enhanced by the reduction of specialized personnel in certain key functional areas, such as in the case of engineers in Germany. In addition, increasing demand for higher wages may make it difficult for us to retain the necessary personnel.

For example, on September 1, 2017, the Sponsors announced their intention to appoint Dr. Claudio Albrecht as new chief executive officer and Mr. Mark Keatley as new chief financial officer of STADA. However, STADA has not yet formally appointed these managers and there can be no assurance that unforeseen circumstances will not prevent or delay their appointment. In addition, Dr. Albrecht is expected to assume a non-executive role in due course, once a new CEO has been recruited on a more long-term basis.

The loss of any key personnel or the inability to attract, recruit and retain highly skilled employees required for our activities could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

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

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

***We handle personal data including, to a minor extent, sensitive patient data in the ordinary course of our business, and any failure to maintain the confidentiality of that data could result in legal liability for us and reputational harm to our business.***

We process sensitive personal consumer data (including, in certain instances, consumer names, addresses, and to a minor extent, patient health data) as part of our business, and therefore we must comply with strict data protection and privacy laws in all the jurisdictions in which we operate.

These laws and rules impose certain standards of protection and safeguarding on our ability to collect and use personal information relating to customers and potential customers, and could make us liable in the event of a loss of control of such data or as a result of unauthorized third-party access. Unauthorized data disclosure could occur through cyber security breaches as a result of human error, external hacking, malware infection, malicious or accidental user activity, internal security breaches, and physical security breaches due to unauthorized personnel gaining physical access.

We and our customers and suppliers who carry out our outsourcing, have been in the past and could be in the future subject to breaches of security by hackers. A future breach of our system or that of one of our customers or outsourcing partners may subject us to material losses or liability, including fines, claims for unauthorized use of personal and sensitive data or other claims. A misuse of such data or a cybersecurity breach could harm our reputation, increase our operating expenses in order to correct the breaches or failures, expose us to uninsured liability, increase our risk of regulatory scrutiny, subject us to lawsuits, result in the imposition of material penalties and fines under any applicable international laws or regulations, and adversely affect our business and results of operations.

We have policies and procedures in place to seek to prevent such breaches and carry out detailed root cause analysis on any breach that does occur in order to ensure that similar occurrences do not arise. However, if a single material breach or series of less material breaches was to occur, we could face liability under data protection laws, could lose the goodwill of our clients and could have our reputation damaged, all of which could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

***We are exposed to default or counterparty risks in connection with our operating business or as a result of contracting parties' failure to meet their contractual obligations.***

We are exposed to default and counterparty risks in connection with deliveries of our products and services to customers or as a result of financing or hedging activities if contracting parties fail to meet their obligations. In addition, there is the risk that, in a difficult economic and financial environment, national healthcare systems may delay or fail to make payments to us or our business partners, thus generating or increasing default or counterparty risks. While we strive to maintain business relations with business partners of good financial standing and we adopt suitable measures to safeguard us against default risk, including guarantees, letters of credit, credit insurance or the transfer of assets, it cannot be ruled out that these measures are insufficient. In addition, in certain developing markets, we rely on third party distributors and other agents for marketing and distribution of products, who may have inadequate internal compliance resources.

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

***The recent development of vaping products means the long-term health effects of vaping products use is not yet understood by medical professionals.***

Our Branded Products portfolio features non-generic pharmaceutical products, including vaping products, such as electronic cigarettes and vaporizers. These battery-powered products enable users to inhale nicotine vapor without smoke, tar, ash, or carbon monoxide and are marketed as alternatives to traditional tobacco cigarettes and cigars. Although vaping products do not currently account for a material portion of our sales, with respect to such products, we are exposed to long-term health related risks. Because vaping products were recently developed, the medical profession has not had a sufficient period of time to study the long-term health effects of vaping products use. As a result, it is unclear how safe vaping products are for their intended use, or whether they may pose risks different from those posed by traditional cigarettes and cigars. If the medical profession were to determine conclusively that vaping products usage poses long-term health risks, vaping products usage could decline and we could be exposed to the risk of

litigation, which could have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

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

We market our products in approximately 125 countries, have a direct presence in Europe, the MENA region, Asia, South America and Australia, and operate 19 manufacturing facilities in ten countries. Accordingly, a significant portion of our sales, expenses, assets and liabilities are in currencies other than the euro, our reporting currency, and as such our results are subject to foreign exchange translation and transaction risks. Our primary foreign exchange rate risks relate to the Russian ruble, the Serbian dinar, the British pound sterling and, to a lesser degree, the Ukrainian hryvnia, Kazakhstani tenge, Vietnamese dong and the Swiss franc.

Transactional risk arises when we and our subsidiaries execute transactions in a currency other than our functional currency. To the extent that we incur expenses in one currency but generate sales in another, any change in the values of those non-euro currencies relative to euro could cause our profits to decrease or our products to be less competitive than those of our competitors. To the extent that cash and receivables that are denominated in currencies other than the euro are greater or less than our liabilities denominated in such non-euro currencies, we will be exposed to the risk of fluctuations and movements in the foreign exchange markets. Where we are unable to match sales and receivables denominated in foreign currencies with expenses and liabilities denominated in the same currency, our results of operations are affected by currency exchange rate fluctuations.

Additionally, currency risk arises in connection with the translation of the financial condition and results of operations of our international subsidiaries with non-euro reporting currencies. For example, a currency sensitivity analysis (translation risk) on the basis of our foreign currency items as of December 31, 2016, showed that in the financial year 2016, an appreciation or devaluation of the functional currency compared with the Russian ruble by 10% changed our EBITDA by approximately €1.8 million. At the same time, an appreciation or devaluation of the functional currency in relation to the British pound sterling of 10% would have led to a change in our EBITDA of approximately €0.6 million. Any of these factors could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We generally employ different financial derivatives to counter the risks associated with assets, liabilities and anticipated future cash flows denominated in foreign currency. However, to the extent that such financial instruments are not sufficient or not effective or due to a default risk of the relevant counterparty, fluctuations of local currencies could affect our financial condition, results of operations and our ability to perform our obligations under the Notes.

***We may be exposed to transfer price risks in connection with our operating activities.***

We take advantage of our international network and centralize our strategic functions. In particular, we transfer and provide goods and services among the companies of the Group by adopting a corporate tax-transfer frame model for the billing of intercompany services. There is a risk that tax authorities in individual countries assess the relevant transfer prices differently from our tax-transfer pricing model and address retroactive tax claims against one of our companies. While our tax-transfer pricing model has been agreed between the competent authorities in certain countries, in others such model is still under discussion with the authorities. There can be no assurances that our transfer prices will be accepted by all the relevant authorities. If they fail to be accepted, this could have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

***Impairment of goodwill and other intangible assets may adversely affect our results of operations.***

Subject to certain conditions, we capitalize development expenses incurred in connection with the approval process necessary to obtain marketing authorizations for our products and recognize such expenses as intangible assets. In addition, as a consequence of our acquisition strategy, we regularly recognize significant amounts of goodwill on our balance sheet. As of June 30, 2017, we had intangible assets of €1,557.9 million of which €405.6 million related to goodwill.

All of our intangible assets are initially measured at cost. Intangible assets other than goodwill, or with a finite useful life, are amortized on a straight-line basis over their useful life. At the end of each financial year, and every interim accounting period, where there is any indication that an intangible asset may be

impaired, its recoverable amount is calculated pursuant to impairment tests. We recognize the difference between the carrying amount and the recoverable amount as impairment loss in the income statement. The amount of impairment losses that we are required to recognize in the future may be significant, particularly in the event of material acquisitions or products that perform below our expectations. See “—*Our business could be adversely affected if we incur significant integration costs with respect to any of our bolt-on acquisitions or if we fail to successfully integrate such acquisitions*” and “*Our ability to market our products successfully depends, in part, upon the acceptance of the products not only by end-users, but also by independent third parties, including public health insurers, doctors and pharmacists depending on the jurisdiction in which we operate.*”

The future development of the macroeconomic environment, unsuccessful acquisitions or other factors could lead to possibly significant impairments to be recognized in the future, with potentially a material adverse effect upon our business, financial condition, results of operations and our ability to perform our obligations under the Notes.

***Our business is subject to other operating risks, including natural disasters, sabotage, terrorism and other criminal activities which may adversely affect our financial condition.***

Our operations are subject to risks normally incidental to manufacturing operations which may result in work stoppages and/or damage to property. These risks include unexpected disruptions in infrastructure, strikes, accidents, natural disasters, sabotage, criminal activities and terrorism. While we protect ourselves against such risks to the extent possible and financially reasonable through appropriate insurance policies, it could not be excluded that this protection will not be sufficient and that any of these events could have a material adverse impact on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

***We may be exposed to the risk of deconsolidation if we do not comply with the requirements set forth in IFRS 10, particularly with respect to our Vietnamese Joint Venture.***

We believe that we currently comply with the consolidation requirements of IFRS 10 “Consolidated Financial Statements” in relation to control and consolidation of subsidiaries. If we failed to comply with the consolidation requirements set forth by this standard, which could be due to capital constraints, political or military conflicts, the absence of factual control over management or other barriers to our control over subsidiaries, we would have to deconsolidate such subsidiaries. For example, one of our subsidiaries, namely STADA Pharmaceutical (Asia) Ltd., has established the Vietnamese Joint Venture with M.S.T. Commercial and Pharmaceutical Company Limited in Vietnam. Recent events may have called our control over the Vietnamese Joint Venture into question. Due to an ongoing dispute with our joint venture partner, which resulted in a pending lawsuit, and our current inability to obtain financial information on our Vietnamese Joint Venture the deconsolidation of such joint venture in the near term has become increasingly probable. See “*Presentation of Financial Information—STADA Vietnam J.V. Co. Ltd.*” The effects of any deconsolidation will depend on the significance of the affected companies and could have a material adverse effect on our business, financial condition, results of operations and our ability to perform our obligations under the Notes.

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

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

***Pending and future tax audits within our Group and changes in fiscal regulations could lead to additional tax liabilities.***

The Target Group’s business activity is assessed for tax purposes based on currently applicable tax legislation taking into account current case law and administrative interpretations. However, there may be uncertainties regarding the tax treatment of specific transactions and we may contest taxes assessed against



us. As a result, there can be no assurances that the Target Group's current and future position on taxation matters will be accepted by the relevant tax authorities. Such uncertainties in the applicable tax legislation or case law, as well as any changes in interpretation by the tax authorities, could have a material adverse effect on the Target Group's net assets, financial condition and results of operations.

The Target Group is regularly subject to tax audits. While the Target Group believes that it has paid all material tax liabilities and filed all material tax returns as of the date of this offering memorandum, and made provisions that it believes to be adequate, with respect to material tax risks resulting from current or past tax audits, there can be no assurances that no tax deficiency will be asserted against the Target Group or that the taxes assessed by the competent authorities pursuant to such tax audits will not exceed such provisions. All of the tax assessments issued for periods which were not yet finally audited may be subject to review. Additionally, mergers and restructuring measures as well as the implementation of fiscal unities (*steuerliche Organschaften*) may result in additional tax liabilities.

***We could be adversely affected by changes to the composition of the Eurozone.***

If one or more countries in the Eurozone default on their debt obligations and/or cease using the euro, there may be significant, extended and generalized dislocation in the financial markets and in the wider European economy, which may negatively affect our business, results of operations and financial condition. The departure of one or more countries from the Eurozone may lead to the imposition of exchange rate control laws. The departure or risk of departure from the euro by one or more eurozone countries could increase our exposure to changes in exchange rates and have negative effects on our existing relationships with our suppliers or customers, resulting in a negative impact on our business, financial condition and results of operations. In addition, the possible dissolution of the euro entirely, or the threat of such dissolution, could lead to increased market volatility, which in turn could have an adverse effect on our business. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro would be determined by laws in effect at such time. These potential developments could adversely affect our operations.

Market perceptions concerning the instability of the euro and the potential re-introduction of individual currencies within the Eurozone could also have adverse consequences for us. Financial markets and the supply of credit may be negatively impacted by recent developments in Greece and fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrading of or defaults on sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability and sustainability of the euro given the economic and political circumstances in individual member states.

A deterioration in general economic conditions caused by instability in the Eurozone could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Risks Relating to the Acquisition**

***We do not, and may not in the future, own all of the outstanding common shares in the Target, and there can be no assurance that a DPLTA will be approved and/or the Target's shares will be delisted.***

As of the date of this offering memorandum, the Senior Secured Notes Issuer directly or indirectly through German Holdco holds 65% of the Target's issued and outstanding common shares. Because the Senior Secured Notes Issuer holds less than 90% of the Target's shares and voting rights, the threshold necessary to effect a squeeze-out under German law has not been reached as of the date of this offering memorandum, and therefore a portion of the Target shares will be held by minority shareholders which cannot be squeezed out, resulting in potentially adverse tax consequences for the Senior Secured Notes Issuer and German Holdco in connection therewith. As long as minority interests in the Target are outstanding and no DPLTA has been agreed and registered, German Holdco, the Issuers and their shareholders may be subject to limitations on their ability to enter into transactions with the Target that are not on arms-length terms, which could limit efficiencies and cost savings that may otherwise be realized in connection with the Acquisition. In addition, unless and until a DPLTA has been approved and registered, there will be significant limitations and restrictions on the influence that the Issuers and German Holdco may exercise as the direct and indirect shareholders of the Target (including with respect to compliance by the Target and its subsidiaries with the covenants under the Indentures). As a result, there can be no assurance that, prior to that, the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the covenants under the Indentures had those been applicable. See “—The Senior



*Secured Notes Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.”* Furthermore, we may be unable to, or the management of the Target may decide not to, delist the Target shares and, as a result, the Target Group may continue to incur costs as a public company.

On August 24, 2017, the Senior Secured Notes Issuer announced its intention to enter itself, or through one of its affiliates, as dominating company into a DPLTA with the Target, as the dominated company. According to section 293 of the German Stock Corporation Act (*Aktiengesetz*), entering into a DPLTA is subject to the approval of at least 75% of the share capital represented at the shareholders’ meeting of the dominated company approving such DPLTA. There can be no assurances that a definitive DPLTA will be agreed and approved and neither the Senior Secured Notes Indenture nor the Senior Secured Credit Facilities Agreement will contain any covenant requiring the Senior Secured Notes Issuer or any of its subsidiaries to take any efforts to implement or maintain a DPLTA.

In addition, a dominating company would be required to offer the Target’s minority shareholders the right to sell their Target shares to the dominating company for adequate cash compensation or, alternatively, to receive an annually recurring preferred dividend payment which must be guaranteed by the dominating company. The adequacy of the amount of such compensation and guaranteed preferred dividend can and usually is challenged by minority shareholders in appraisal proceedings, which can lead to an even higher cash compensation and/or preferred dividend. The amount of preferred dividends may exceed such minority shareholders’ *pro rata* share of the Target’s distributable profit and therefore adversely affect the cash flows available to the dominating company and therefore impair the Issuers’ ability to service their obligations under the Notes.

Unless and until a DPLTA has been registered, the Senior Secured Notes Issuer and German Holdco are not able to create a fiscal unity and to consolidate the Target Group for tax and financial reporting purposes and any proceeds the German Holdco may receive from the Target are limited to the dividend payments approved by the Target’s annual general meeting. As a result, the absence of a DPLTA would adversely affect the cash flows available to the Senior Secured Notes Issuer and therefore impair the Issuers’ ability to service their obligations under the Notes as well as lead to potentially adverse tax consequences for the Senior Secured Notes Issuer and German Holdco.

***The Senior Secured Notes Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.***

As of the date of this offering memorandum, the Senior Secured Notes Issuer directly or indirectly through German Holdco holds 65% of the Target’s issued and outstanding common shares. However, despite holding a majority of the voting rights, the Senior Secured Notes Issuer will not obtain control of the Target Group until the Control Date. As a result, the Issuers’ ability to influence the Target’s management is limited. In particular:

- The Target’s Executive Board may not operate the business of the Target Group until the Control Date in the same way that the Senior Secured Notes Issuer and the Sponsors would.
- Much of the information contained in this offering memorandum relating to the Target had to be derived from public sources and, in the case of certain additional information relating to the Target, has been provided to the Issuers by the Target, and the Issuers have relied on such information that is publicly available or was supplied to them in their preparation of this offering memorandum.
- The Transactions themselves have required, and will likely continue to require, substantial time and focus from the Target Group’s management, which could adversely affect their ability to operate the Target Group’s business. Likewise, employees may be uncomfortable with the Transactions.
- In addition, the Target’s Executive Board will be required to manage the business of the Target under its own responsibility and in a manner that is in the best interest of the Target. Only after the implementation of the DPLTA will the Senior Secured Notes Issuer be able to indirectly direct the Executive Board of the Target without consideration of other stakeholders and, particularly, minority shareholders.
- Prior to the Control Date, the Senior Secured Notes Issuer cannot assure you that the Target Group will fully comply with the covenants described in “*Description of the Senior Secured Notes*” and “*Description of the Senior Notes*” to be included in the Indentures, due to statutory limitations on the influence of shareholders on a public company. As such, we cannot assure you that, prior to such date,

the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the Indentures had those covenants been applicable.

We cannot assure you that the Control Date will occur given it is dependent on the implementation of the DPLTA, the Target being converted into a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or the implementation of a squeeze-out. If we are not able, or elect not, to implement the DPLTA, effect the conversion of the Target into a *Gesellschaft mit beschränkter Haftung* or effect a squeeze-out, then the Control Date will not occur.

Any of the risks associated with the Senior Secured Notes Issuer's lack of control over the Target and its subsidiaries until the occurrence of the Control Date could have a material adverse effect on our business, financial position and results of operations.

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

Before making investments, the Sponsors conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances of an investment, to identify possible risks associated with that investment and to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, the Sponsors typically evaluate a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Sponsors rely on resources available to them, including information provided by the target of the investment and, in some circumstances, third party investigations.

Instances of bribery, fraud, accounting irregularities, contingent liabilities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions.

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

As the Target is a publicly listed company, the due diligence conducted for the Acquisition was mostly limited to publicly available information. Accordingly, we cannot be certain that the Sponsors' due diligence investigation has revealed or highlighted all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating the merits of investing in the Target Group. We also cannot be certain that the Sponsors' due diligence investigations will result in the Issuers' investment in the Target being successful or that the actual financial performance of such investment will not fall short of the financial projections the Sponsors used when evaluating that investment.

***We may not be able to realize the anticipated operational efficiencies and cost savings in the Acquisition.***

The Sponsors intend to implement certain operational efficiency and cost saving measures, as further described under footnote (F) under "Summary—Summary Consolidated Financial and Other Information—Other Consolidated Financial and Pro Forma Data." We may not be able to realize the anticipated efficiencies and savings targeted by these measures, either in the amount or within the timeframe that we currently anticipate, and the costs of achieving these measures may be higher than what we expect.

Our estimated efficiency gains and costs savings are forward-looking and therefore subject to a number of assumptions about the timing, execution and costs associated with realizing the underlying measures. Such assumptions are inherently uncertain and are subject to significant business, economic and competition risks and uncertainties. There can be no assurance that such assumptions will turn out to be correct. In addition, the estimated efficiency gains and cost savings may be offset by deterioration in the markets in which the Target Group operates, increases in other expenses or challenges in the business unrelated to the Transactions. As a result, the amount of efficiency gains and savings that we will actually realize and/or the timing of any such realization may differ significantly (and may be significantly lower or later) from the ones that we currently estimate and we may incur significant costs in realizing the Transactions and in reaching the estimated gains and savings.

Failure to achieve the expected efficiency gains and savings may result in a lower return on investment for the Acquisition, and could have a material adverse effect on our business and results of operations.

***The Acquisition will entitle the Target Group's customers and certain other business partners of the Target Group to terminate their agreements as a result of change of control provisions.***

The Acquisition will constitute a change of control under certain agreements entered into by the Target and its subsidiaries. For example, the Issuers have identified change of control provisions in certain leases, as well as employment, customer, supplier and intellectual property agreements related to the Target Group's top ten products. These counterparties will be entitled to terminate their agreements with us. Some of these counterparties may exercise their termination rights, which could have an adverse effect on our business, financial position and results of operations.

#### **Risks Relating to the Senior Secured Notes**

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

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

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

On the Issue Date, and until up to 120 days after the Control Date (if such event occurs at all), the Senior Secured Notes will not be secured by all of the Collateral, as further described under “Description of the Senior Secured Notes—Security.” On the Issue Date, the Senior Secured Notes will be secured only by a pledge of the shares in the Senior Secured Notes Issuer, a pledge of the shares in the Target acquired by the Senior Secured Notes Issuer, a security assignment of any structural intercompany receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer, a security assignment of any structural intercompany receivables owed by the Target to the Senior Secured Notes Issuer and a pledge of the material bank accounts of the Senior Secured Notes Issuer. We will agree in the Senior Secured Notes Indenture to take such necessary actions to secure the Senior Secured Notes on the earlier of (a) the Control Date and (b) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, by first-priority security interests in pledges of the shares in, and material bank accounts of and security assignments of structural intercompany receivables owed by each Post-Control Date Guarantor to the Senior Secured Notes Issuer or German Holdco. There can be no assurance, however, that we will be successful in procuring such liens within the time periods specified, the failure of which would result in an “event of default” under the Senior Secured Notes Indenture. The security interests will be limited to the same extent as those under the Senior Secured Credit Facilities and otherwise as set forth under “Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests,” which limitations could be significant. See also

*“—Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.”* It should be noted that if a guarantee or a security interest granted by a Guarantor in certain jurisdictions is granted or perfected after the secured obligation arose, such guarantee or security interest may be subject to clawback provisions under applicable local insolvency laws. See *“Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.”*

On the Issue Date, the Senior Secured Notes will only be guaranteed by German Holdco. We will agree in the Senior Secured Notes Indenture, subject to the Agreed Security Principles, to take such necessary actions so that the Post-Control Date Guarantors become guarantors of the Notes by executing and delivering to the Senior Secured Notes Trustee a supplemental indenture (or supplemental indentures) substantially in the form attached to the Senior Secured Notes Indenture on the earlier of (a) the date on which such Post-Control Date Guarantor provides a guarantee of the Senior Secured Credit Facilities (as defined herein) and (b) 120 days from the earlier of (i) the Control Date and (ii) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities. As of and for the twelve months ended June 30, 2017, the Target and its subsidiaries organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland accounted for 40% of the consolidated assets, 38% of the consolidated sales and 47% of the consolidated EBITDA of the Target Group. There can be no assurance that we will be successful in procuring such additional Guarantees within the time period specified. The initial Notes Guarantees by German Holdco and the Notes Guarantees of the Post-Control Date Guarantors will be limited as set forth in *“Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.”*

***If the Revolving Credit Facility is designated as a super senior liability in accordance with the terms of the Intercreditor Agreement, creditors under the Revolving Credit Facility and counterparties to certain hedging obligations and future indebtedness permitted to be incurred under the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Senior Secured Notes Collateral in priority over the Senior Secured Notes.***

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

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

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

The obligations under the Senior Secured Notes and the Guarantees thereof are secured on a first-ranking basis with security interests over the Senior Secured Notes Collateral that also secure our obligations under the Super Senior Liabilities. The Senior Secured Notes Indenture also permits the Senior Secured Notes



Collateral to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. The Intercreditor Agreement provides that the Security Agent will only enforce the Senior Secured Notes Collateral as provided for in the Intercreditor Agreement, and the Indenture regulates the ability of the Senior Secured Notes Trustee or the holders of the Senior Secured Notes to instruct the Security Agent to take enforcement action.

Prior to the Company designating any liabilities as Super Senior Liabilities in accordance with the terms of the Intercreditor Agreement (the “Designation Date”), the Security Agent is not required to take enforcement action unless instructed to do so by an instructing group that consists of the holders of the aggregate principal amount of the then outstanding Senior Secured Notes, the senior lenders, creditors in respect of indebtedness ranking *pari passu* with the senior creditors and creditors in respect of certain non-priority hedging obligations (the “Senior Secured Credit Participations”) which aggregate more than 50% of the total Senior Secured Credit Participations at that time (the “Majority Senior Secured Creditors”) (in each case acting through their respective creditor representatives). If the Majority Senior Secured Creditors do not instruct the Security Agent to enforce, or instruct the Security Agent to cease enforcing the transaction security, then creditors holding more than 50% of the total second lien credit participations (or, in certain cases, creditor holding 50% of the total topco credit participations) may instruct the Security Agent to enforce.

Following the Designation Date, the Security Agent is not required to take enforcement action unless instructed to do so by an instructing group that may consist of either (i) the Majority Senior Secured Creditors or (ii) creditors holding more than 50% of the total participations in Super Senior Liabilities at that time (the “Majority Super Senior Creditors”). The Security Agent is required to act in accordance with instructions received from the Majority Senior Secured Creditors, however: (i) if and to the extent the obligations under the Super Senior Liabilities have not been fully discharged in cash within six months of enforcement instructions first being issued by either the Majority Senior Secured Creditors or the Majority Super Senior Creditors; or (ii) if Security Agent has not commenced enforcement action within three months of enforcement instructions first being issued by either the Majority Senior Secured Creditors or the Majority Super Senior Creditors, then the enforcement instructions provided by the Majority Super Senior Creditors will prevail.

Following the transaction security having become enforceable, a creditor representative acting on behalf of the Majority Super Senior Creditors or the Majority Senior Secured Creditors may at any time provide immediate enforcement instructions to the Security Agent if the Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith that to delay the taking of any enforcement action could reasonably be expected to have a material adverse effect on the Security Agent’s ability to enforce any transaction security or the realization of enforcement proceeds. In such circumstances, the Security Agent shall act only with respect to the relevant asset or debtor that is the subject of such determination, in accordance with the first such notice of such determination and instructions as to enforcement received by the Security Agent, provided in each case that they are consistent with certain security enforcement principles.

If at any time an insolvency event has occurred with respect to any debtor (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Majority Senior Secured Creditors), the Security Agent shall act (i) prior to the Designation Date, in accordance with the instructions of the Majority Senior Secured Creditors (without any requirement to first consult with any junior creditors) or (ii) after the Designation Date and to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from the Majority Super Senior Creditors.

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

To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Senior Secured Notes (such as indebtedness under the Term Loan B Facility), the voting interest of holders of Senior Secured Notes in an instructing group will be diluted commensurate with the amount of indebtedness we incur.

The creditors of any Super Senior Liabilities may have interests that are different from the interests of holders of the Senior Secured Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous

for the holders of the Senior Secured Notes to do so. In addition, if the Security Agent sells Senior Secured Notes Collateral consisting of the shares of the Senior Secured Notes Issuer or any of its subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Guarantees and the liens over any other assets of such entities securing the Senior Secured Notes and the Guarantees may be released. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Description of the Senior Secured Notes—Security—Security Release*.”

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

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

The Senior Secured Notes will be secured only to the extent of the value of the Senior Secured Notes Collateral. See “*Description of the Senior Secured Notes—Security*.” Not all of our assets secure the Senior Secured Notes, and the Senior Secured Notes Indenture allows the Senior Secured Notes Issuer and its restricted subsidiaries to secure any future senior secured indebtedness (as defined in the Senior Secured Notes Indenture) permitted to be incurred under the Senior Secured Notes Indenture (which may be structurally senior to the Senior Secured Notes and the guarantees) with the property and assets of the restricted subsidiaries that do not secure the Senior Secured Notes. The value of such assets and property could be significant. If an event of default occurs and the obligations under the Senior Secured Notes are accelerated, the Senior Secured Notes and the Guarantees thereof will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Senior Secured Notes Issuer and its restricted subsidiaries with respect to any property or assets excluded from the Senior Secured Notes Collateral securing the Senior Secured Notes.

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

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

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

The shares and other Senior Secured Notes Collateral that is pledged or assigned for the benefit of the holders of the Senior Secured Notes may provide for only limited repayment of the Senior Secured Notes,



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

The Senior Secured Notes Indenture also permits the granting of certain liens other than those in favor of the holders of the Senior Secured Notes on the Senior Secured Notes Collateral. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Senior Secured Notes Indenture or the security documents, such holders or third parties may have rights and remedies with respect to the Senior Secured Notes Collateral which, if exercised, could reduce the proceeds available to satisfy our obligations under the Senior Secured Notes. Moreover, if we issue additional Senior Secured Notes under the Senior Secured Notes Indenture, holders of such Senior Secured Notes would benefit from the same collateral as the holders of the Senior Secured Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Senior Secured Notes Collateral.

### **Risks Relating to the Senior Notes**

***The Senior Notes are effectively subordinated to any secured debt incurred by the Senior Secured Notes Issuer and its subsidiaries.***

The Senior Notes will be effectively subordinated to any of our present and future secured indebtedness to the extent of the value of the assets securing such indebtedness, including indebtedness under the Senior Secured Notes, the Term Loan B Facility and the Revolving Credit Facility. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt ranking senior or equal in right of payment to the Senior Notes will be available to pay obligations on the Senior Notes only after the secured debt has been repaid in full from these assets. There may not be sufficient assets remaining to pay amounts due on any or all of the Senior Notes then outstanding. The Senior Notes Indenture will not prohibit us from incurring additional secured debt, nor will it prohibit any of our subsidiaries from incurring additional liabilities.

***Your right to receive payment under the Senior Notes Guarantees is contractually subordinated to senior debt of the Guarantors.***

The obligations of the guarantors of the Senior Notes (the "Senior Notes Guarantors") under their respective Senior Notes Guarantees will be contractually subordinated in right of payment to the prior payment in full in cash of all existing and future obligations in respect of senior debt of such Senior Notes Guarantor. This senior debt includes the guarantees of the Senior Secured Notes or in the case of the Senior Secured Notes Issuer, its obligations under the Senior Secured Notes, and the obligations under the Term Loan B Facility and the Revolving Credit Facility. Although the Senior Notes Indenture will contain

restrictions on the ability of the Senior Notes Guarantors to incur additional debt, any additional debt incurred may be substantial and senior to the guarantees.

Upon any payment or distribution to creditors of a Senior Notes Guarantor in respect of an insolvency event, the holders of senior debt of such Senior Notes Guarantor will be entitled to be paid in full from the assets of such Senior Notes Guarantor before any payment may be made pursuant to such guarantee. Until the senior debt of such Senior Notes Guarantor is paid in full, any distribution to which holders of the Senior Notes would be entitled but for the subordination provisions included in the Intercreditor Agreement shall instead be made to holders of senior debt of such Senior Notes Guarantor as their interests may appear. As a result, in the event of insolvency of a Senior Notes Guarantor, holders of senior debt of such Senior Notes Guarantor may recover more, ratably, than the holders of Senior Notes, in respect of the Senior Notes Guarantor's guarantee in respect thereof.

In addition, the subordination provisions in the Intercreditor Agreement relating to the Senior Note Guarantees provide:

- customary turnover provisions by the Senior Notes Trustee and the holders of the Senior Notes for the benefit of the holders of senior debt of such Senior Notes Guarantor;
- that if a payment default on any senior debt of a Senior Notes Guarantor has occurred and is continuing, such Senior Notes Guarantor may not make any payment in respect of its guarantee until such default is cured or waived;
- that if any other default occurs and is continuing on any designated senior indebtedness that permits the holders thereof to accelerate its maturity and the Senior Notes Trustee receives a notice of such default, such Senior Notes Guarantor may not make any payment in respect of the Senior Notes, or pursuant to its Note Guarantee, until (amongst others) the earlier of the waiver or cure of such default and 179 days after the date on which the applicable payment blockage notice is received; and
- that the holders of the Senior Notes and the Senior Notes Trustee are prohibited, without the prior consent of the Majority Senior Secured Creditors or the Majority Super Senior Creditors, from taking any enforcement action in relation to such guarantee, except in certain circumstances.

The Senior Notes Indenture will also provide that, except under very limited circumstances, only the Senior Notes Trustee will have standing to bring an enforcement action in respect of the Senior Notes and the Senior Note Guarantees. Moreover, the Intercreditor Agreement and the Senior Notes Indenture will restrict the rights of holders of the Senior Notes to initiate insolvency proceedings or take legal actions against each of the Senior Notes Guarantor and by accepting any Senior Note each such holder will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Senior Notes will have limited remedies and recourse under the guarantees in the event of a default by the Senior Notes Issuer or a Senior Notes Guarantor.

***Security over the Senior Notes Collateral (other than the pledge over the Senior Notes Issuer's shares) ranks behind the security benefiting the holders of the Senior Secured Notes and the lenders under the Term Loan B Facility and the Revolving Credit Facility, and your rights to enforce your security over the Senior Notes Collateral are limited.***

The Senior Notes Collateral (other than the pledge over the Senior Notes Issuer's shares) is pledged to the Security Agent for the benefit of the holders of the Senior Secured Notes and the lenders under the Term Loan B Facility and Revolving Credit Facility, as well as to the Security Agent for the benefit of holders of the Senior Notes. Under the Intercreditor Agreement and the security documents, the Senior Secured Notes, Term Loan B Facility and Revolving Credit Facility are secured by first-ranking security interests in all of the Senior Notes Collateral (other than the pledge over the Senior Notes Issuer's shares) and the proceeds of any sale of Senior Notes Collateral (other than the pledge over the Senior Notes Issuer's shares) on enforcement will be applied first to repay all debt of the holders of the Senior Secured Notes, the lenders under the Term Loan B Facility and Revolving Credit Facility and certain hedging obligations. Consequently, you may not be able to recover on such Senior Notes Collateral (other than the pledge over the Senior Notes Issuer's shares) because the holders of the Senior Secured Notes, the lenders under the Term Loan B Facility and Revolving Credit Facility and the counterparties to certain hedging obligations will have a prior claim on all proceeds realized from any enforcement of such Senior Notes Collateral (other than the pledge over the Senior Notes Issuer's shares).

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

The Senior Notes will be secured only to the extent of the value of the Senior Notes Collateral described in this offering memorandum. See “*Description of the Senior Notes—Security.*” The Senior Notes Collateral (other than the pledge over the Senior Notes Issuer’s shares) will also secure the Senior Secured Notes, the Term Loan B Facility and the Revolving Credit Facility on a first-ranking basis, and may secure additional debt ranking senior to or *pari passu* with the Senior Notes and the Senior Note Guarantees. Although the pledge over the shares of the Senior Notes Issuer secures the Senior Notes and the Guarantees thereof on a first-priority basis and will not secure the Senior Secured Notes, the Term Loan B Facility and the Revolving Credit Facility, such pledge may secure additional debt ranking *pari passu* with the Senior Notes, to the extent permitted by the terms of the Senior Notes Indenture and the Intercreditor Agreement. The rights of the holders may therefore be diluted by any increase in the debt secured by the Senior Notes Collateral or a reduction of the Senior Notes Collateral securing the Senior Notes. In addition, pursuant to the Intercreditor Agreement, the proceeds of an enforcement of the Senior Secured Collateral will be applied in repayment of any Super Senior Liabilities (to the extent the Designation Date has occurred), followed by (or unless the Designation Date has not occurred) the Senior Secured Notes and any Lenders under the Term Loan B Facility, among others, before repayment of the Senior Notes and Senior Notes Guarantees. To the extent the claims of the holders of the Senior Notes exceed the value of the Senior Notes Collateral securing the Senior Notes and the Senior Note Guarantees, those claims will generally rank equally with the claims of the holders of all other existing and future senior unsecured debt ranking *pari passu* with the Senior Notes and the Senior Note Guarantees. As a result, if the value of the assets pledged as Senior Notes Collateral is less than the value of the claims of the holders of the Senior Notes, those claims may not be satisfied in full. In addition, not all of our assets will secure the Senior Notes, and the Senior Notes Indenture will allow the Senior Notes Issuer and its restricted subsidiaries to secure certain types of debt permitted to be incurred under the Senior Notes Indenture (which may be structurally senior to the Senior Notes and the Senior Notes Guarantees) with the property and assets of the restricted subsidiaries that do not secure the Notes. The value of such assets and property could be significant. If an event of default occurs and the obligations under the Senior Notes are accelerated, the Senior Notes and the Senior Notes Guarantees will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured debt of the Senior Notes Issuer and its restricted subsidiaries with respect to any property or assets that is excluded from the Senior Notes Collateral securing the Senior Notes or such secured debt.

In addition, the Senior Notes Guarantees will be limited to the same extent as the Senior Secured Notes Guarantees which are expected to be granted by the Target and the other Post-Control Date Guarantors under the Senior Secured Notes under certain conditions after the Issue Date and otherwise as set forth under “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests,*” which limitations could be significant. See also “*—Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*”

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

If we default on the Senior Notes, holders of the Senior Notes will be secured only to the extent of the value of the Senior Notes Collateral granted in favor of holders of the Senior Notes and, in respect of the Shared Issue Date Collateral, only after the holders of the Senior Secured Notes and lenders under the Term Loan B Facility and Revolving Credit Facility have been paid in full. In the event of an enforcement of the pledges in respect of the Senior Notes, the proceeds from the sale of the assets underlying the pledges may not be sufficient to satisfy the Senior Notes Issuer’s obligations with respect to the Senior Notes including due to the reasons described in the preceding sentence. No appraisal of the value of the Senior Notes Collateral has been made in connection with this Offering. The value of the assets underlying the pledges will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

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

The Senior Notes Indenture also permits the granting of certain liens other than those in favor of the holders of the Senior Notes on the Senior Notes Collateral. To the extent that holders of other indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Senior Notes Indenture or the security documents, such holders or third parties may have rights and remedies with respect to the Senior Notes Collateral which, if exercised, could reduce the proceeds available to satisfy our obligations under the Senior Notes. Moreover, if we issue additional Senior Notes under the Senior Notes Indenture, holders of such Senior Notes would benefit from the same collateral as the holders of the Senior Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Senior Notes Collateral.

#### **Risks Relating to Each Series of Notes**

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

The granting of the Guarantees and security interests to secure the Notes may create hardening or voidance periods for such Guarantees and security interests in certain jurisdictions. The granting of shared security interests to secure future permitted debt may restart or reopen such hardening or voidance periods in particular, as the Indentures permit the release and retaking of security granted in favor of the Notes in certain circumstances including in connection with the incurrence of future debt. The applicable hardening or voidance period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See *"Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests."*

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



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

Each Issuer is organized under the laws of Germany; the Guarantors are organized under the laws of Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland; the Senior Secured Notes Collateral includes the shares of certain of our subsidiaries incorporated under the laws of those jurisdictions, and certain present and future intercompany loan receivables held by the Senior Secured Notes Issuer and certain of its subsidiaries in respect of debtors in certain of these jurisdictions. In the event of bankruptcy, insolvency, administration or a similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes, the guarantees, the Senior Secured Notes Collateral and the Senior Notes Collateral are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings. In addition, the multi-jurisdictional nature of enforcement over the Senior Secured Notes Collateral and the Senior Notes Collateral may limit the realizable value of the Senior Secured Notes Collateral and the Senior Notes Collateral.

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

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

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

In addition, the ability of the Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured. In certain jurisdictions, including Germany, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement will provide for the creation of “parallel debt” obligations in favor of the relevant Security Agent (“Parallel Debt”) mirroring the obligations of each Issuer and the Guarantors owed to holders of the Notes under or in connection with the Senior Secured Notes Indenture and the Senior Notes Indenture, as applicable (“Principal Obligations”). All or part of the pledges and other security interests in such jurisdictions will be granted to the relevant Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations. Under the provisions of the Intercreditor Agreement, the Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the relevant Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the relevant Security Agent. In addition, the Parallel Debt construct has not been tested under law in certain of these jurisdictions and to the extent that the security interests in the Senior Secured Notes Collateral and the Senior Notes Collateral created under the Parallel Debt construct are not validly granted, are unenforceable or are successfully challenged by other parties, holders of the Notes will not



receive any proceeds from an enforcement of such security interests in the Senior Secured Notes Collateral or the Senior Notes Collateral. See *“Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.”*

***Rights in the Senior Secured Notes Collateral and the Senior Notes Collateral may be adversely affected by the failure to perfect security interests in the Senior Secured Notes Collateral and the Senior Notes Collateral.***

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security, as applicable. The liens on the Senior Secured Notes Collateral and the Senior Notes Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we fail or are unable to take the actions necessary to perfect any of these liens. Under German law, the creation of a valid security interest under a German law governed pledge agreement in relation to certain assets (such as bank accounts) may be subject to the delivery of a notice of pledge by the security agent or the security provider to a third party (for example, the notice of pledge to the account bank in case of a pledge over bank accounts). Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. The Trustees and the Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

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

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

Furthermore, under German law a secured party is, upon request by the relevant security grantor, obligated to release security if the realizable value of the security is significantly higher than the value of the obligations secured by such security.

Finally, if the secured obligations are exchanged, novated or terminated, a pledge or other accessory security interest created pursuant to a security document governed by German law might be released as a matter of German law.

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

On and after the Issue Date or the Control Date, as applicable, our obligations under the relevant Notes will be guaranteed by the relevant Guarantors and secured by security interests over the relevant Collateral. The Issuers are organized under the laws of Germany and the Guarantors are organized under the laws of Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland. There is a rebuttable presumption that the “centre of main interest” as defined in the Council of the European Union Regulation No. 2015/848 on Insolvency Proceedings is the jurisdiction where the registered office is situated. In addition, the Collateral will include a pledge over the shares in certain of our subsidiaries incorporated under the laws of Germany, England and Wales, The Netherlands, the

Republic of Ireland and Northern Ireland and pledges of certain present and future intercompany loan receivables held by the Issuers and certain of their subsidiaries incorporated under the laws of Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland.

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

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

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

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

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

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

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

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

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

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

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

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

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

Certain of the Guarantors are organized under the laws of Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland. Enforcement of the obligations under a Guarantee against, and/or any Collateral provided by, as applicable, any such Guarantor will be subject to certain defenses available to the Issuers or the relevant Guarantor, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance, liquidity maintenance or similar laws as well as regulations or defenses affecting the rights of creditors generally, particularly by limiting the amounts recoverable under the Guarantees and Collateral, as applicable, and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor or security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Guarantee or Collateral is not in the relevant Guarantor's or security provider's corporate interests, or the burden of such Guarantee or Collateral exceeds the benefit to the relevant Guarantor or security provider, or such Guarantee or Collateral would be in breach of capital maintenance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary Guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability.

In relation to public limited liability companies (*Aktiengesellschaften*, "AG") strict German capital maintenance rules as set out in the German Stock Corporation Act (*Aktiengesetz*, "AktG") apply. Guarantees and/or security interests provided by an AG and/or its direct or indirect subsidiaries in order to guarantee or secure liabilities of any direct or indirect parent or affiliate company (such as the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable) are, unless a specific exception applies, considered disbursements violating German capital maintenance law. Furthermore, the granting of guarantees and/or security interests by an AG or its direct or indirect subsidiaries which serve the purpose of supporting the financing of the acquisition of shares in such AG (*financial assistance*) is prohibited and, therefore, invalid.

Investors should note that the Target, which together with the other Post-Control Date Guarantors, is expected to provide a Guarantee and certain Collateral under the Senior Secured Notes and Senior Notes, as applicable, after the Control Date under certain conditions set forth in the relevant Indentures, is incorporated in Germany in the form of an AG.

According to the wording of the law, both the prohibition of financial assistance as well as the capital maintenance requirements described above are not applicable while a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*, “DPLTA”) exists between the AG and the shareholder on whose instructions the relevant guarantee and/or security interest is granted. However, neither the Indentures nor the Senior Secured Credit Facilities Agreement will contain any covenant requiring the Senior Notes Issuer, the Senior Secured Notes Issuer or any of their respective subsidiaries to take any efforts to implement or maintain a DPLTA. Furthermore, even in case a DPLTA is in place and provided that certain other requirements are met, the granting of guarantees and/or security interests by an AG and/or its direct or indirect subsidiaries (whether or not to support the acquisition of such AG) may be considered to be in violation of the capital maintenance rules and financial assistance restrictions, in which case such guarantees and security interests can be void, unenforceable, restricted and/or subject to a redemption claim against the beneficiary. In particular, under the prevailing view in German literature, the DPLTA exemption only applies if payments under the guarantee or enforcement of the security interests, as applicable, do not cause the dominated entity (i.e., the AG) to incur a balance sheet loss for which it cannot reasonably expect to be compensated for by the dominating entity due to the financial condition of the dominating entity. Therefore, any Guarantees and/or Collateral provided by an AG, including the Target and any of its direct and indirect subsidiaries will be subject to certain contractual limitations (so called “limitation language”) contained in the respective Indentures (or any other document governing the Guarantees) and Security Documents, respectively, designed to ensure compliance with applicable capital maintenance, liquidity maintenance or any other general statutory laws. With respect to the DPLTA exemption, such contractual enforcement limitations will apply notwithstanding the existence of a DPLTA if and to the extent the enforcement of the Guarantee and/or Collateral, as applicable, provided by an AG, including the Target and/or any of its direct and indirect subsidiaries will, or must be expected to, result in an annual loss of the respective AG and such annual loss would not be, or cannot be expected to be, compensated for by a compensation claim under the DPLTA that can be accounted for in the balance sheet of the Target at full (*vollwertig*).

Furthermore, guarantees provided by the Senior Secured Notes Issuer and its direct and indirect subsidiaries (including, without limitation, the Target) for purposes of guaranteeing the liabilities of the Senior Notes Issuer under the Senior Notes will be subject to certain capital maintenance and liquidity maintenance rules applicable to AGs and respective contractual enforcement restrictions set forth in the “AG limitation language” irrespective of the legal form of such subsidiaries given that the Senior Secured Notes Issuer is incorporated as an AG.

Also, guarantees and/or security interests granted by a German limited liability company (*Gesellschaft mit beschränkter Haftung*, “GmbH”) or a partnership with a GmbH as liable partner (i.e., a GmbH & Co. KG) for the purpose of guaranteeing or securing liabilities of its direct or indirect shareholders or a subsidiary of such shareholders (excluding direct or indirect subsidiaries of such GmbH or GmbH & Co. KG) are considered to constitute a benefit for such shareholder and therefore are subject to certain capital maintenance and liquidity maintenance rules. Therefore, any Guarantees and/or Collateral provided by a GmbH, including by German Holdco, will be subject to certain contractual limitations (so called “limitation language”) contained in the respective Indentures (or any other document under which any Guarantee is granted) and Security Documents, respectively, designed to ensure compliance with applicable capital maintenance, liquidity maintenance or any other general statutory laws. The pledge over the Target shares is granted by German Holdco and will be subject to “limitation language.”

In addition, any guarantee and/or security interest granted by an AG may be held invalid pursuant to Section 138 of the German Civil Code (*Bürgerliches Gesetzbuch*, “BGB”) and would therefore not be enforceable if, at the time of the creation or enforcement of any such guarantee and/or security interest, amongst others, the third-party creditor and the affiliate have acted in fraudulent conveyance (*kollusives Zusammenwirken*) to the detriment of the AG or other third-party creditors of the AG.

Similarly, any guarantee and/or security interest granted by a GmbH may be held invalid pursuant to Section 138 of the BGB and would therefore not be enforceable if, at the time of the creation or enforcement of any such guarantee and/or security interest, amongst others, the third-party creditor and the affiliate have acted in fraudulent conveyance (*kollusives Zusammenwirken*) to the detriment of the GmbH or other third-party creditors of the GmbH. These principles apply *mutatis mutandis* to a GmbH & Co. KG.

As a result, the Target’s and any other Guarantor’s or security provider’s liability under its Guarantee or Collateral could be materially reduced or eliminated, depending upon the law and contractual



enforcement restrictions applicable to it. This could lead to a situation in which such Guarantee or Collateral cannot be enforced at all. It is possible that a Guarantor or security provider, or any of their creditors, or the bankruptcy trustee or other insolvency office holder in the case of a bankruptcy/insolvency of a Guarantor or security provider, may contest the validity and enforceability of the Guarantor's Guarantee or the security provider's Collateral on any of the above grounds and that the applicable court may determine that the Guarantee or Collateral should be limited or voided. To the extent that any limitations on the relevant Guarantees or Collateral apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor or security provider, including trade payables of such Guarantor or security provider. Future Guarantees and Collateral may be subject to similar limitations.

See *“Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.”*

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

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

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream.

Interests in the global Notes will trade in book-entry form only, and Notes in definitive registered form, or Definitive Registered Notes (as defined below), will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global Notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Issuers will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of the Notes under the Indentures.

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

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

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

We cannot assure you as to:

- the liquidity of any market in the Notes;



- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. The Initial Purchasers have advised that they intend to make a market in the Notes after completing the Offering. However, they have no obligation to do so and may discontinue market-making activities at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

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

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

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

As such, the Notes and the Guarantees will be structurally subordinated to the creditors, including depositors, trade creditors and any preferred stockholders (if any) of the non Guarantor subsidiaries of the Issuers. In addition, the Indentures will, subject to certain limitations, permit these non Guarantor subsidiaries to incur substantial additional indebtedness without such incurrence constituting a default under the Indentures, and such indebtedness may also be secured. The Indentures will not contain any limitation on the amount of other liabilities, such as deposits and trade payables, that may be incurred by these subsidiaries.

As of the Issue Date, the Issuers hold directly or indirectly 65% of the Target's issued and outstanding common shares. The effect of the minority interests of the Target (to the extent they continue to be held by third parties and absent entry into a DPLTA) will be that the holders of such minority interests will share in the proceeds from the sale or other disposal of assets of the Target before the Issuers or any Guarantor, to the extent of their holding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***The Notes may not become or remain listed on the Exchange.***

Application has been made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "Exchange"). However, there can be no assurance that the Notes will become or remain listed. If the Issuers cannot maintain the listing on the Exchange and the admission to dealing on the Official List thereof, or if it becomes unduly burdensome to make or maintain such listing, the Issuers may cease to make or maintain such listing on the Official List of the Exchange. Listing of any of the Notes on the Exchange does not imply that a public offering of any of the Notes in the Channel Islands has been authorized. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Exchange or another recognized listing exchange for comparable issuers, failure to be approved for listing or the delisting of the Notes from the Official List of the Exchange or another listing exchange may have an adverse effect on a holder's ability to resell Notes in the secondary market.

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

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

***The Notes may be issued with OID for U.S. federal income tax purposes.***

If the stated principal amount of a series of Notes exceeds their issue price by an amount equal to or greater than a statutorily defined *de minimis* amount, then the Notes of such series will be considered to be issued with OID for U.S. federal income tax purposes. If the Notes are issued with OID, then, in addition to the stated interest on the Notes, A U.S. Holder (as defined in "*Certain Tax Consequences—Certain U.S. Federal Income Tax Considerations*") will be required to include the OID on such note in gross income as it accrues on a constant yield to maturity basis for U.S. federal income tax purposes, generally in advance of

the receipt of the cash payments to which such OID is attributable and regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. See "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations.*"

### **Risks Relating to Our Capital Structure**

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

After completion of the Transactions, we will be highly leveraged and have significant debt service obligations. As of June 30, 2017, after giving pro forma effect to the Transactions, we would have had total financial indebtedness in the amount of €2,775 million, consisting of the Notes and the Term Loan B Facility. We anticipate that our high leverage will continue to exist for the foreseeable future. See "*Capitalization*," "*Description of Certain Financing Arrangements*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*."

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

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

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our obligations, including under the Notes and the Senior Credit Facilities.

***The Issuers are holding companies that have no revenue generating operations of their own and will depend on cash from the operating companies of the Target Group to be able to make payments on the Notes and the Guarantees.***

The Issuers are holding companies with no business operations other than management of the equity interests they hold in each of their respective subsidiaries. Following consummation of the Acquisition, the Issuers will be dependent upon the cash flow from their operating subsidiaries in the form of dividends or other distributions or payments to meet their obligations, including their obligations under the Notes and the Guarantees. Given the Target Group's international operations, it has a large number of operating subsidiaries and business participations, which individually contribute to our Group's results. The amounts of dividends and distributions available to the Issuers will depend on the profitability and cash flows of their subsidiaries (primarily including the Target Group) and the ability of each of those subsidiaries to declare dividends under applicable law. The Issuers' subsidiaries, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuers to make payments in respect of their indebtedness, including the Notes and the Guarantees.

Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within their restricted group. In particular, the Senior Secured Credit



Facilities and the Senior Secured Notes limit the ability to upstream cash to the Senior Notes Issuer subject to certain exceptions. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, the ability of the Issuers' subsidiaries to pay dividends to the Issuers will generally be limited to the amount of distributable reserves available to each of them and the ability to pay its debt when due. The Target is organized under German law which provides that dividends may only be distributed out of current profits and distributable reserves, and, generally, interim dividend distributions are not allowed under German law. The subsidiaries of the Issuer that do not guarantee the Notes have no direct obligation to make payments with respect to the Notes or the Notes Guarantees.

While the Indentures limit the ability of the Issuers' subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, these limitations are subject to significant qualifications and exceptions, including exceptions for restrictions imposed by applicable law.

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

Despite our substantial leverage, we may incur substantial additional debt in the future. We have the ability to borrow up to €400 million under our Revolving Credit Facility, which will be secured by the Senior Secured Notes Collateral, and the Senior Secured Credit Facilities Agreement and the Indentures also permit the incurrence of additional debt thereunder. The Indentures and the Senior Secured Credit Facilities Agreement also permit us to incur a substantial amount of indebtedness at subsidiaries that do not guarantee the Notes and to incur indebtedness that shares in the Collateral or that benefits from security interests over assets that do not secure the Notes. Any debt that our subsidiaries incur could be structurally or effectively senior to the Notes to the extent that such subsidiaries do not guarantee the Notes or secure the Notes, and other debt could be secured or could mature prior to the Notes. Although the Senior Secured Credit Facilities Agreement and the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to the Issuers' and their subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the Senior Secured Credit Facilities Agreement and the Indentures will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. Our inability to service our debt could have a material adverse effect on our business, financial position, results of operations and our ability to fulfil our obligations under the Notes and the Guarantees.

***Due to restrictions on the deductibility of interest expenses or forfeiture of interest carry-forwards under applicable law, we may be unable to fully deduct interest expenses on our financial liabilities.***

A certain amount of our annual financing expenses (primarily including interest payments) is not deductible under existing interest limitation rules, especially the German interest barrier rules (*Zinsschranke*) as further described below. Subject to certain requirements, the German interest barrier rules impose certain restrictions on the deductibility of interest for tax purposes. The German interest barrier rules generally provide for a limitation on the deduction of net interest expenses in excess of 30% of tax-adjusted EBITDA. For purposes of the interest barrier rules, all entities that are part of the same fiscal unity (*Organschaft*) for corporate income and trade tax purposes are treated as one single business. Any non-deductible amount exceeding the threshold of 30% is carried forward and may be, again subject to the interest barrier rules, deductible in future financial years. Any interest carry-forward may be forfeited in part or in full in connection with certain measures, such as a change of the ownership structure. Upon closing of the Acquisition, certain Target Group companies, in particular in Germany, may forfeit their existing interest carry-forwards on the First Settlement Date. Furthermore, on June 20, 2016, the European Council adopted the Directive (EU) 2016/1164 laying down rules against tax avoidance practices that directly affect the functioning of the internal market. The Anti-Tax Avoidance Directive contains five legally-binding anti-abuse measures, which all member states will be required to apply against common forms of aggressive tax planning from January 1, 2017 onwards. Part of the package of measures is the implementation of an interest limitation in line with German rules. The restriction of the deductibility of interest expenses for tax purposes may have adverse consequences for our financial position and results of operations.



In addition, certain of our German subsidiaries have considerable tax loss carry-forwards which have partially been capitalized as deferred tax assets in our Financial Statements. The use of such existing tax loss carry-forwards and ongoing losses for German corporate income and trade tax purposes may be forfeited in case of a direct or indirect transfer of shares, subject to certain limited exceptions. Such restriction, applying to both corporate income and trade tax, depends on the percentage of share capital or voting rights transferred within a five-year period to one acquirer or person(s) closely related to the acquirer or a group of acquirers with a common interest. Under current rules, if more than 25% of the share capital or voting rights are transferred to such an acquirer, tax loss carry-forwards and current losses will be forfeited on a *pro rata* basis while a transfer of more than 50% will result in total forfeiture. To the extent that the utilization of tax losses is restricted, they cannot be set-off against future tax profits which would result in increased future tax burdens. Such restriction may require a write-down of the deferred tax assets in our consolidated financial statements and would negatively affect our financial position and results of operations.

The German Federal Constitutional Court, in a decision published May 12, 2017, has held that the German tax loss forfeiture rules, in a version which was effective from January 1, 2008 to December 31, 2015, violate the German Constitution to the extent they stipulate a partial forfeiture of a company's current and carried-forward tax losses upon a transfer of more than 25% but less than 50% of its shares. According to the decision, the German legislator is required to amend the current tax loss forfeiture rules in respect of the aforementioned period and transfer of shares, so they are consistent with the German Constitution.

Furthermore, upon the creation of a fiscal unity for German corporate and trade tax purposes, any tax loss carry-forwards and interest carry-forwards for German corporate income and trade tax purposes of a subsidiary, which have been incurred before the creation of the fiscal unity, will be excluded from use for the duration of the fiscal unity.

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

The Senior Secured Credit Facilities Agreement and the Indentures contain covenants which impose significant operating and financial restrictions on us. These agreements limit our ability to, among other things:

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

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

In addition, the Senior Secured Credit Facilities Agreement requires us to comply with certain affirmative covenants while amounts under the Senior Credit Facilities remain outstanding. Furthermore, under certain circumstances, the Revolving Credit Facility under the Senior Secured Credit Facilities Agreement requires us to comply with a financial ratio while amounts exceeding a certain threshold remain outstanding under the Revolving Credit Facility. See “*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement*.” Our ability to meet the financial ratio under the Revolving

Credit Facility may be affected by events beyond our control, and we cannot assure you that we will meet such financial ratio. A breach of any of the covenants or restrictions under the Senior Secured Credit Facilities Agreement, including our failure to comply with the financial ratio under the Revolving Credit Facility, could result in an event of default under the Senior Secured Credit Facilities Agreement. Upon the occurrence of a payment event of default that is continuing under the Senior Secured Credit Facilities Agreement, subject to the applicable cure period, and upon the acceleration of indebtedness with respect to any other event of default by the creditors under our Senior Secured Credit Facilities Agreement, the relevant creditors could cancel the availability of the Senior Secured Credit Facilities and elect to declare all amounts outstanding under the Senior Secured Credit Facilities, together with accrued interest, immediately due and payable. In addition, a default under the Senior Secured Credit Facilities, including our failure to comply with the financial ratio under the Revolving Credit Facility, could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under the Senior Secured Credit Facilities, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries that would be due and payable and to make payments to enable us to repay the Notes. In addition, if we are unable to repay those amounts, our creditors could proceed against any Collateral granted to them to secure repayment of those amounts.

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

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

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

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

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

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

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

***Drawings under the Senior Secured Credit Facilities and any future variable interest rate debt we incur in the future will bear interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow.***

A portion of our debt bears interest at a variable rate, and we will be exposed to the risk of fluctuations in interest rates, primarily under the Senior Secured Credit Facilities, which are based on the Euro Interbank Offered Rate (EURIBOR) and the London Interbank Offered Rate (LIBOR) plus an applicable margin. These interest rates could rise significantly in the future, increasing our interest expense associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Neither our Senior Secured Credit Facilities Agreement nor the Indentures contain a covenant requiring us to hedge all or any portion of our floating rate debt.

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

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

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

Bain Capital and Cinven indirectly own the majority of the shares of the Issuers. As a result, our shareholders have and will continue to have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to influence the outcome of matters requiring action by our shareholders. Our shareholders’ interests in certain circumstances may conflict with your interests as noteholders, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, the shareholders could vote to cause us to incur additional indebtedness. Our shareholders are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Our shareholders may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, our shareholders have held, hold or may hold interests in suppliers or customers of the Target Group. Our shareholders and their affiliates could also have an interest in pursuing acquisitions, divestitures (including one or more divestitures of all or part of our business or sales of our shares which would result in changes to our shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes.

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## THE TRANSACTIONS

### The Acquisition

On July 19, 2017, the Senior Secured Notes Issuer, a holding company controlled by Bain Capital and Cinven, published the terms of a revised, all-cash voluntary public tender offer (*freiwilliges Übernahmeangebot*) (the “Takeover Offer”) for all common shares in STADA. Under the terms of the Takeover Offer, all shareholders of the Target (the “STADA shareholders”) who accepted and tendered their shares in the Takeover Offer received cash consideration equal to €66.25 per share (the “Offer Price”). At the time the Takeover Offer was announced, the Offer Price implied an equity value of the Target equal to approximately €4.1 billion, plus the dividend in respect of the 2016 fiscal year, and an enterprise value equal to approximately €5.3 billion. Following their analysis of the terms of the Takeover Offer, the Executive Board and Supervisory Board of the Target declared their support for the Takeover Offer and entered into an investment agreement, setting forth the principal terms and conditions of the Acquisition and the Takeover Offer. The Takeover Offer was subject to certain conditions, including acceptance by the holders of at least 63% of STADA’s issued and outstanding common shares (the “Minimum Acceptance Threshold”) by the end of the initial acceptance period, which expired on August 16, 2017. In accordance with German statutory law, STADA shareholders subsequently had the opportunity to accept the Takeover Offer within an additional acceptance period, which expired on September 1, 2017.

When the initial acceptance period expired, holders of approximately 64% of the Target’s issued and outstanding common shares had accepted the Takeover Offer, and consequently the Minimum Acceptance Threshold was satisfied. On August 22, 2017 (the “First Settlement Date”), the first settlement under the Takeover Offer occurred, and the Senior Secured Notes Issuer acquired approximately 64% of the issued and outstanding common shares in the Target. On August 25, 2017, the Senior Secured Notes Issuer incorporated German Holdco as its wholly owned subsidiary and contributed all of the Target shares held by it as of this date to German Holdco. On September 1, 2017, the additional acceptance period expired, with holders of approximately 0.1% of the Target’s issued and outstanding common shares having tendered their shares during the additional acceptance period. The Senior Secured Notes Issuer acquired such additional shares and also contributed them to German Holdco. On or about the First Settlement Date, the Senior Secured Notes Issuer and German Holdco have purchased, and may continue to purchase in the future, additional Target shares in the open market or otherwise. Any such additional purchases of Target shares have been, and may be in the future, financed with the proceeds from drawings under the Term Loan B Facility and, on an interim basis, the Revolving Credit Facility.

STADA’s annual shareholders meeting (the “AGM”) was held on August 30, 2017, and approved the dividend in respect of the 2016 fiscal year. Any STADA shareholder that tendered its shares during the initial acceptance period did not receive any dividend from the Target in respect of the 2016 fiscal year but received the full Offer Price in cash from the Senior Secured Notes Issuer. Any shareholder that tendered its shares during the additional acceptance period received €0.72 per share by way of a dividend from the Target and €65.53 per share as residual Offer Price from the Senior Secured Notes Issuer.

As of June 30, 2017, the Target Group had Existing Debt with a book value of €1,432 million. A portion of such Existing Debt in a principal amount equal to €1,380 million (and with a book value of €1,376 million as of June 30, 2017) has become prepayable at the option of the holders and lenders in respect thereof, as the Acquisition triggered their right to exercise a change of control put right at par within approximately 142 days following the First Settlement Date. The residual amount of Existing Debt with a book value of €56 million, which does not provide for a change of control put right, is prepayable at STADA’s option. The aggregate principal amount of Existing Debt that is prepayable at STADA’s option, including both instruments with and without a change of control put right, is equal to €315 million (and a book value of €315 million as of June 30, 2017). As a result, subject to the proportion of holders and lenders who exercise their change of control put right and the amount STADA decides to refinance in its discretion, up to the entire amount of the Existing Debt (with a book value of €1,432 million and an aggregate principal amount €1,436 million) may be refinanced in connection with the Transactions. We may determine (or, prior to the Control Date, the Executive Board may determine) that the Existing Debt at the Target should remain outstanding and not be refinanced with drawings under the Term Loan B Facility or cash available to the Target. Prior to the Control Date, any such Existing Debt at the Target that remains outstanding will be structurally senior to the obligations under the Notes. After the Control Date, any remaining Existing Debt at the Target may share in the Senior Secured Notes Collateral by operation of the negative pledges in favor of the lenders under such Existing Debt. See “Description of Certain Financing Arrangements.”



The funding sources for the Acquisition, the repayment or refinancing of the Existing Debt, and related fees and expenses consist of proceeds from the following sources:

- equity contributions from Bain Capital and Cinven in the form of equity and quasi equity (including common and preferred equity instruments and deeply subordinated shareholder loans) totaling an estimated €2,850 million, the proceeds of which have been or will be contributed to the Senior Notes Issuer through intermediate holding companies (the “Equity Contributions”);
- drawings by the Senior Secured Notes Issuer under the Term Loan B Facility in an aggregate amount of up to €1,700 million (equivalent) and the Revolving Credit Facility in an aggregate amount of up to €400 million;
- cash and cash equivalents of the Target Group, which, as of June 30, 2017, amounted to €321 million; and
- drawings under the Senior Secured Bridge Facility and the Senior Unsecured Bridge Facility which will be refinanced with the proceeds from the offering of the Notes. See “—*The Refinancing*.”

The notional sources and uses necessary to consummate the Acquisition and repay or refinance the Existing Debt are shown in the table below. Both the funding sources described above and the sources and uses shown below assume that we have acquired 100% of the issued and outstanding common shares in the Target and that all of the Existing Debt has been refinanced. To the extent that less than 100% of the shares in the Target are acquired or less than all of the Existing Debt is refinanced in connection with the Acquisition, the amount drawn under the Term Loan B Facility and the amount of the Equity Contribution will be reduced proportionately. To the extent that shares in the Target are subsequently purchased in the open market or otherwise at a price higher than the notional price of €74.40 per share assumed below, the proportion of indebtedness and equity sources used to fund the purchase of shares will differ from that presented below. The Term Loan B Facility will be available for drawing from August 17, 2017 to July 10, 2018, and, prior to the end of its availability period, any unutilized amounts thereunder may be drawn into an escrow account for use after the availability period. See “*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement—Overview and Structure—Availability*.” Actual amounts will vary from the notional amounts presented here depending on several factors, including those described above and differences from our estimates of fees and expenses.

<u>Sources of Funds</u>		<u>Uses of Funds</u>	
	(€ million)		(€ million)
Equity Contribution <sup>(1)</sup> . . . . .	2,850	Purchase price for Target shares <sup>(6)</sup> . . . . .	4,324
Senior Secured Bridge Facility <sup>(2)</sup> . . . . .	485	Refinancing of Existing Debt <sup>(7)</sup> . . . . .	1,432
Senior Unsecured Bridge Facility <sup>(2)</sup> . . . . .	340	Transaction costs <sup>(8)</sup> . . . . .	183
Term Loan B Facility (equivalent) <sup>(3)</sup> . . . . .	1,700	Cash overfund at the Issuers <sup>(9)</sup> . . . . .	7
Portion of Senior Secured Notes Proceeds <sup>(4)</sup> . . . . .	250		
Target cash and cash equivalents <sup>(5)</sup> . . . . .	321		
<b>Total sources</b> . . . . .	<b>5,946</b>	<b>Total uses</b> . . . . .	<b>5,946</b>

(1) Represents an estimate of the Equity Contribution required to satisfy the uses based on the assumptions stated below which is subject to change to the extent such assumptions change. As of September 22, 2017, the Senior Notes Issuer had received Equity Contributions in the amount of €1,612 million.

(2) The drawings under the Senior Secured Bridge Facility and Senior Unsecured Bridge Facility were initially used in connection with the acquisition of Target shares on the First Settlement Date. A portion of the proceeds from the offering of the Senior Secured Notes and the proceeds from the offering of the Senior Notes will be used to refinance amounts drawn under the Senior Secured Bridge Facility and Senior Unsecured Bridge Facility, respectively. See “—*The Refinancing*.”

(3) Represents the gross proceeds from the Term Loan B Facility, subject to the assumptions stated below. The Term Loan B Facility will be available for drawing until July 10, 2018, and, prior to the end of its availability period, any unutilized amounts thereunder may be drawn into an escrow account for use after the availability period. The Term Loan B Facility includes a euro-denominated tranche in an initial principal amount of €1,400 million, and €300 million (equivalent) as a pounds sterling-denominated tranche. The Senior Secured Credit Facilities Agreement also provides for the Revolving Credit Facility in an amount of €400 million and an uncommitted incremental facility. Utilizations of the Term Loan B Facility are subject to a maximum leverage condition. The commitments under the Term Loan B Facility may be cancelled in part to the extent that less than 100% of the Target shares are acquired or less than 100% of the Existing Debt is refinanced. As of September 22, 2017, the Term Loan B Facility has been drawn in an amount of €250 million, and the Revolving Credit Facility has been drawn in an amount of €37 million. It is expected that within 35 days of the relevant drawings under the Revolving Credit Facilities, €23.6 million of the amounts drawn under the Revolving Credit Facility will be refinanced with drawings under the Term Loan B Facility and €4.4 million of the amounts drawn under the Revolving Credit Facility will be refinanced through a combination of

a drawing under the Term Loan B Facility and additional equity investments. See “*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement.*”

- (4) Represents a portion of the Senior Secured Notes deposited into a secured account for the purposes set forth under footnote (1) to the table under “*The Refinancing.*”
- (5) Represents the Target’s cash and cash equivalents as of June 30, 2017, and assumes that such cash and cash equivalents will be available to refinance the Existing Debt.
- (6) Represents the aggregate purchase price for STADA’s 62,258,129 issued and outstanding common shares (giving effect to the 84,311 common shares currently being held in treasury) and assuming (i) a purchase price per share equal to the Offer Price in respect of 64% of the Target’s issued and outstanding common shares and (ii) for illustrative purposes, a purchase price per share equal to €74.40 in respect of the balance of issued and outstanding common shares. On September 3, 2017, the Senior Secured Notes Issuer announced that it would propose to the Executive Board and Supervisory Board as part of the negotiations of a domination and profit and loss transfer agreement (“DPLTA”) to offer STADA’s minority shareholders cash compensation of €74.40 per share and to vote in favor of a DPLTA on such terms in any extraordinary general meeting of STADA. The Senior Secured Notes Issuer and German Holdco also purchased 1.4% of the Target’s issued and outstanding common shares in the open market as of September 22, 2017, and as of such date Senior Secured Notes Issuer holds directly or indirectly 65% of the Target’s issued and outstanding common shares.
- (7) Assumes that all of the Existing Debt will be refinanced at par in connection with the Acquisition.
- (8) Represents estimated fees and expenses associated with the Refinancing, including commitment, underwriting, arranging, placement, original issue discount, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees. These fees and expenses have been estimated as of the date of this offering memorandum and are subject to change. Refinancing costs exclude accrued but unpaid interest on the Bridge Facilities to, but excluding, the Issue Date that will be paid upon consummation of the Refinancing. Additional expenses in connection with Transactions other than the Refinancing were paid by the Issuers and the Target and are excluded from this presentation. The Issuers funded such expenses using proceeds from the Bridge Facilities, the Senior Secured Credit Facilities and the Equity Contributions.
- (9) As of September 22, 2017, an amount equal to €7 million in aggregate was retained by the Issuers in connection with the Acquisition. A portion of such amount will be used to pay refinancing costs in connection with the Refinancing. See “*The Refinancing.*”

Prior to the Control Date, German Holdco has influence on the appointment and removal of Supervisory Board members of the Target through the shareholder meeting. The Supervisory Board has the power to appoint and remove the members of the Executive Board. Therefore, German Holdco has indirect influence but will not have direct control over the Executive Board. The Executive Board will be required prior to the Control Date to manage the Target under its own responsibility and in a manner that is in the best interests of the Target. As a result, pursuant to German statutory law, the majority shareholder may not exercise its influence to cause the Target to undertake a measure disadvantageous to minority shareholders unless this is permitted pursuant to German statutory law and compensation is paid to the minority shareholders by the majority shareholder in accordance with German statutory law. See “*Risk Factors—Risks Relating to the Acquisition—The Senior Secured Notes Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.*”

On August 24, 2017, the Senior Secured Notes Issuer announced that, following the settlement of the Takeover Offer, it intends to enter into a DPLTA pursuant to Section 291(1) of the German Stock Corporations Act (*Aktiengesetz*) between STADA as dominated company and profit transferor and the Senior Secured Notes Issuer or one of its affiliates as dominating company and profit transferee.

Under the DPLTA, the Senior Secured Notes Issuer or one of its affiliates would be entitled to:

- instruct the Executive Board even if such instructions are not in the best interest of the Target (for example, to cause the Target Group to grant upstream guarantees or transfer intellectual property and to push down indebtedness into the Target Group); and
- receive 100% of the Target’s distributable profits in any year regardless of its shareholding in the Target, provided that it also balances any annual losses of the Target.

Upon registration of a DPLTA, the dominating company will be required to offer to any minority shareholders the election to either (i) put their shares in exchange for adequate compensation (the amount of which is determined in accordance with German law) or (ii) receive a guaranteed annual payment (the amount of which is determined in accordance with German law) from the dominating company. Both the amount of the adequate compensation payment and the guaranteed annual payment may be contested by minority shareholders in appraisal proceedings, though the DPLTA would still take effect regardless of ongoing appraisal proceedings. See “*Risk Factors—Risks Relating to the Acquisition—The Senior Secured Notes Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.*”

In addition, the Senior Secured Notes Issuer intends to de-list the Target shares in the medium-to long-term to the extent permitted by law.

Under German corporate law, implementation of a DPLTA requires approval by a supermajority of 75% of the share capital represented at the shareholder meeting. As of September 22, 2017, the Senior Secured Notes Issuer holds directly or indirectly through German Holdco 65% of the Target's issued and outstanding common shares. On August 31, 2017, Elliott Associates L.P. and Elliott International L.P. together with affiliated entities ("Elliott") announced that Elliott would only support a DPLTA between STADA and the Senior Secured Notes Issuer or any of its subsidiaries with all of Elliott's current and future Target shares if the compensation for minority shareholders pursuant to section 305 para 1 of the German Stock Corporation Act (*Aktiengesetz*) set forth in the published resolution proposal regarding such agreement amounted to not less than €74.40 per share. See "*Principal Shareholders*." There can be no assurances that a DPLTA will be implemented, either at all or on the terms proposed by the Senior Secured Notes Issuer. See "*Risk Factors—Risks Relating to the Acquisition—We do not, and may not in the future, own all of the outstanding common shares in the Target, and there can be no assurance that a DPLTA will be approved and/or the Target's shares will be delisted.*"

## The Refinancing

In connection with the Acquisition, the Issuers entered into the Bridge Facilities Agreements, which provide for the €485 million Senior Secured Bridge Facility and the €340 million Senior Unsecured Bridge Facility. The Senior Notes Issuer loaned the proceeds of the Unsecured Bridge Facility to the Senior Secured Notes Issuer through an intercompany loan, and the Senior Secured Notes Issuer used the proceeds from such intercompany loan, the proceeds of the Senior Secured Bridge Facility, the Equity Contributions from Bain Capital and Cinven and drawings under the Term Loan B Facility, to finance its acquisition of the STADA shares offered pursuant to the Takeover Offer and to pay certain costs and expenses in connection therewith.

A portion of the proceeds from the offering of the Senior Secured Notes and the proceeds from the offering of the Senior Notes will be used together with cash on hand at the Issuers to refinance amounts that were incurred under the Bridge Facilities and to pay the costs, fees and expenses incurred in connection with the offering of the Notes, and a portion of the proceeds from the offering of the Senior Secured Notes will be deposited into a secured account for future utilization, as described below.

The estimated sources and uses necessary to consummate the Refinancing are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses. The presentation of sources and uses below excludes accrued but unpaid interest on the Bridge Facilities to, but excluding, the Issue Date that will be paid upon consummation of the Refinancing in an amount of €3 million.

<u>Sources of Funds</u>		<u>Uses of Funds</u>	
	(€ million)		(€ million)
Senior Secured Notes offered hereby . . .	735	Repayment of Senior Secured Bridge Facility . . .	485
Senior Notes offered hereby . . . . .	340	Deposit into Secured Account <sup>(1)</sup>	246
Cash on hand at the Issuers . . . . .	5	Repayment of Senior Unsecured Bridge Facility .	340
		Refinancing costs <sup>(2)</sup> . . . . .	9
<b>Total sources . . . . .</b>	<b>1,080</b>	<b>Total uses . . . . .</b>	<b>1,080</b>

(1) Represents a portion of the proceeds of the Senior Secured Notes deposited into a segregated bank account held by the Senior Secured Notes Issuer, and pledged in favor of the Senior Secured Notes and the Senior Secured Credit Facilities, which may be drawn from such account by the Senior Secured Notes Issuer prior to the earlier of August 21, 2020 and the Control Entry Date (as defined under "*Description of the Senior Secured Notes—Certain Definitions*") for the same purposes as those permitted for drawings under, and pro rata for drawings under, the TLB1 and TLB2 (as described under "*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement—Overview and Structure*") and, thereafter, for general corporate purposes.

(2) Represents estimated fees and expenses associated with the Refinancing, including commitment, underwriting, arranging, placement, original issue discount, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees. These fees and expenses have been estimated as of the date of this offering memorandum and are subject to change. Refinancing costs exclude accrued but unpaid interest on the Bridge Facilities to, but excluding, the Issue Date that will be paid upon consummation of the Refinancing in an amount of €3 million. Additional expenses in connection with Transactions other than the Refinancing were paid by the Issuers and the Target and are excluded from this presentation. The Issuers funded such expenses using proceeds from the Bridge Facilities, the Senior Secured Credit Facilities and the Equity Contributions.

## USE OF PROCEEDS

We estimate that the gross proceeds of the offering of the Senior Secured Notes and Senior Notes will be €735 million and €340 million, respectively. A portion of the proceeds from the offering of the Senior Secured Notes and the proceeds from the offering of the Senior Notes will be used together with cash on hand at the Issuers to refinance amounts that were incurred under the Bridge Facilities and to pay the costs, fees and expenses incurred in connection with the offering of the Notes, and a portion of the proceeds from the offering of the Senior Secured Notes will be deposited into a secured account for future utilization, as described below. See “*The Transactions—The Refinancing.*”

The estimated sources and uses necessary to consummate the Refinancing are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses. The presentation of sources and uses below excludes accrued but unpaid interest on the Bridge Facilities to, but excluding, the Issue Date that will be paid upon consummation of the Refinancing in an amount of €3 million.

<u>Sources of Funds</u>	<u>(€ million)</u>	<u>Uses of Funds</u>	<u>(€ million)</u>
Senior Secured Notes offered hereby . . . . .	735	Repayment of Senior Secured Bridge Facility . . .	485
Senior Notes offered hereby . .	340	Deposit into Secured Account <sup>(1)</sup> . . . . .	246
Cash on hand at the Issuers . .	5	Repayment of Senior Unsecured Bridge Facility .	340
		Refinancing Costs <sup>(2)</sup> . . . . .	9
<b>Total sources . . . . .</b>	<b><u>1,080</u></b>	<b>Total uses . . . . .</b>	<b><u>1,080</u></b>

(1) Represents a portion of the proceeds of the Senior Secured Notes deposited into a segregated bank account held by the Senior Secured Notes Issuer, and pledged in favor of the Senior Secured Notes and the Senior Secured Credit Facilities, which may be drawn from such account by the Senior Secured Notes Issuer prior to the earlier of August 21, 2020 and the Control Entry Date (as defined under “*Description of the Senior Secured Notes—Certain Definitions*”) for the same purposes as those permitted for drawings under, and pro rata for drawings under, the TLB1 and TLB2 (as described under “*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement—Overview and Structure*”) and, thereafter, for general corporate purposes.

(2) Represents estimated fees and expenses associated with the Refinancing, including commitment, underwriting, arranging, placement, original issue discount, financial advisory, legal, accounting, ratings advisory and other transaction costs and professional fees. These fees and expenses have been estimated as of the date of this offering memorandum and are subject to change. Refinancing costs exclude accrued but unpaid interest on the Bridge Facilities to, but excluding, the Issue Date that will be paid upon consummation of the Refinancing in an amount of €3 million. Additional expenses in connection with Transactions other than the Refinancing were paid by the Issuers and the Target and are excluded from this presentation. The Issuers funded such expenses using proceeds from the Bridge Facilities, the Senior Secured Credit Facilities and the Equity Contributions.

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## CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and the consolidated capitalization (i) of the Target as of June 30, 2017, on a historical basis and (ii) of the Senior Notes Issuer as adjusted to give effect to the completion of the Transactions (including the Offerings) and the application of the proceeds therefrom as described in “*Use of Proceeds*” as if they had occurred on June 30, 2017. This table is subject to the various assumptions regarding amounts as set forth under “*Use of Proceeds*.” In particular, it assumes that we have acquired 100% of the issued and outstanding common shares in the Target and that all of the Existing Debt will be refinanced. To the extent that less than 100% of the shares in the Target are acquired or less than all of the Existing Debt is refinanced in connection with the Acquisition, the amount drawn under the Term Loan B Facility and the amount of the Equity Contribution will be reduced proportionately, and the other amounts stated below may also be impacted. The historical consolidated financial information has been derived from the Interim Financial Statements of the Target prepared on the basis of IFRS included elsewhere in this offering memorandum. All amounts are shown excluding any capitalized deferred debt issuance costs.

You should read this table in conjunction with “*The Transactions*,” “*Use of Proceeds*,” “*Selected Consolidated Financial Information*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Description of Certain Financing Arrangements*,” “*Description of the Senior Secured Notes*,” “*Description of the Senior Notes*” and our Financial Statements included elsewhere in this offering memorandum.

	As of June 30, 2017	
	STADA Arzneimittel AG	Nidda Bondco GmbH
	Historical	Adjusted
(€ million)		
<b>Cash and cash equivalents<sup>(1)</sup></b>	<b>321</b>	<b>2</b>
<b>Indebtedness:</b>		
Senior Secured Credit Facilities:		
Term Loan B Facility (equivalent) <sup>(2)</sup>	—	1,700
Revolving Credit Facility <sup>(3)</sup>	—	—
Senior Secured Notes offered hereby	—	735
<b>Total senior secured indebtedness</b>	<b>—</b>	<b>2,435</b>
Existing Debt <sup>(4)</sup>	1,432	—
Senior Notes offered hereby	—	340
<b>Total indebtedness</b>	<b>1,432</b>	<b>2,775</b>
Shareholders’ equity <sup>(5)</sup>	1,029	2,850
<b>Total capitalization</b>	<b>2,461</b>	<b>5,625</b>

- (1) As adjusted cash and cash equivalents reflects the use of cash as set forth in “*Use of Proceeds*,” and assuming that all cash and cash equivalents of the Target Group as of June 30, 2017, were used to repay Existing Debt, and does not give effect to any increase or decrease of cash from operations since June 30, 2017.
- (2) Represents the euro-equivalent of the indebtedness outstanding under the Term Loan B Facility. Utilizations of the Term Loan B Facility are subject to a maximum leverage condition; The commitments under the Term Loan B Facility may be cancelled in part to the extent that less than 100% of the Target shares are acquired or less than 100% of the Existing Debt is refinanced. As of September 22, 2017, the Term Loan B Facility has been drawn in an amount of €250 million and the Revolving Credit Facility has been drawn in an amount of €37 million. It is expected that within 35 days of the relevant drawings under the Revolving Credit Facilities, €23.6 million of the amounts drawn under the Revolving Credit Facility will be refinanced with drawings under the Term Loan B Facility and €4.4 million of the amounts drawn under the Revolving Credit Facility will be refinanced through a combination of a drawing under the Term Loan B Facility and additional equity investments.
- (3) The Senior Secured Credit Facilities Agreement provides for a Revolving Credit Facility in an initial principal amount of €400 million.
- (4) In the adjusted column, assumes that all of the Existing Debt will be repaid in connection with the Transactions. As of June 30, 2017, the Target Group had Existing Debt with a book value of €1,432 million. A portion of such Existing Debt in a principal amount equal to €1,380 million (and with a book value of €1,376 million as of June 30, 2017) has become prepayable at the option of the holders and lenders in respect thereof, as the Acquisition triggered their right to exercise a change of control put right at par within approximately 142 days following the First Settlement Date. The residual amount of Existing Debt with a book value of €56 million, which does not provide for a change of control put right, is prepayable at STADA’s option. The aggregate principal amount of Existing Debt that is prepayable at STADA’s option, including both instruments with and without a change of control put right, is equal to €315 million (and a book value of €315 million as of June 30, 2017). As a result, subject

to the proportion of holders and lenders who exercise their change of control put right and the amount STADA decides to refinance in its discretion, up to the entire amount of the Existing Debt (with a book value of €1,432 million and an aggregate principal amount €1,436 million) may be refinanced in connection with the Transactions. We may determine (or, prior to the Control Date, the Executive Board may determine) that the Existing Debt at the Target should remain outstanding and not be refinanced with drawings under the Term Loan B Facility. Prior to the Control Date, any such Existing Debt that remains outstanding will be structurally senior to the obligations under the Notes. After the Control Date, any remaining Existing Debt may share in the Senior Secured Notes Collateral by operation of the negative pledges in favor of the lenders under such Existing Debt. See “*Description of Certain Financing Arrangements.*”

- (5) In the historical column, consists of the sum of (i) share capital in an amount equal to €162 million, (ii) capital reserves in an amount equal to €514 million and (iii) retained earnings in an amount equal to €764 million, net of (iv) provisions in an amount equal to €409 million, (v) treasury shares in an amount equal to €1 million and (vi) minority interests in an amount equal to €74 million. In the adjusted column, consists of the Sponsors’ Equity Contribution. To the extent that less than 100% of the shares in the Target are acquired or less than all of the Existing Debt is refinanced in connection with the Acquisition, the amount of the Equity Contribution will be reduced proportionately. As of September 22, 2017, the Sponsors have funded an amount equal to €1,612 million under the Equity Contribution.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present the Target's selected financial information and have been derived from, and should be read in conjunction with, our Financial Statements, that have been prepared in accordance with IFRS and are included elsewhere herein and the sections entitled "*Presentation of Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Summary—Summary Consolidated Financial and Other Information*," "*Use of Proceeds*" and "*Capitalization*."

All historical financial information presented in this offering memorandum is that of the Target and its subsidiaries. Accordingly, all references to "we," "us," "our" or the "Target Group" in respect of historical financial information in this offering memorandum are to the Target and its subsidiaries on a consolidated basis.

Results of operations for prior years or periods are not necessarily indicative of the results to be expected for the full year or any future period.

### Selected Consolidated Income Statement Information

(€ million)	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
Sales . . . . .	2,062.2	2,115.1	2,139.2	1,034.7	1,143.2
Cost of sales . . . . .	(1,070.4)	(1,101.7)	(1,105.3)	(529.3)	(575.8)
<b>Gross Profit . . . . .</b>	<b>991.8</b>	<b>1,013.4</b>	<b>1,033.9</b>	<b>505.4</b>	<b>567.4</b>
Selling expenses . . . . .	(458.4)	(482.6)	(488.3)	(232.8)	(243.5)
General and administrative expenses . . . . .	(152.8)	(178.4)	(182.7)	(90.7)	(98.5)
Research and development expenses . . . . .	(56.9)	(65.0)	(65.1)	(31.0)	(33.2)
Other income . . . . .	20.1	20.0	19.3	8.4	11.7
Other expenses . . . . .	(155.2)	(83.7)	(138.9)	(22.9)	(64.5)
<b>Operating profit . . . . .</b>	<b>188.5</b>	<b>223.7</b>	<b>178.1</b>	<b>136.3</b>	<b>139.4</b>
Results from investments measured at equity . . . . .	1.6	1.4	0.7	1.0	2.3
Investment income . . . . .	0.1	0.1	0.0	0.0	—
Financial income . . . . .	4.8	1.2	2.7	1.0	1.6
Financial expenses . . . . .	(70.4)	(68.7)	(54.1)	(27.0)	(23.1)
<b>Financial result . . . . .</b>	<b>(63.8)</b>	<b>(65.9)</b>	<b>(50.7)</b>	<b>(25.0)</b>	<b>(19.2)</b>
<b>Earnings before taxes . . . . .</b>	<b>124.7</b>	<b>157.8</b>	<b>127.4</b>	<b>111.3</b>	<b>120.2</b>
Income taxes . . . . .	(54.6)	(40.6)	(31.9)	(24.7)	(24.9)
<b>Earnings after taxes . . . . .</b>	<b>70.1</b>	<b>117.2</b>	<b>95.5</b>	<b>86.6</b>	<b>95.3</b>
<i>thereof: distributable to shareholders of the Target</i>					
(net income) . . . . .	64.6	110.4	85.9	82.0	90.3
<i>thereof: distributable to non-controlling shareholders .</i>	5.5	6.8	9.6	4.6	5.0

## Selected Consolidated Balance Sheet Information

(€ million)	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
Intangible assets . . . . .	1,631.5	1,649.0	1,582.4	1,613.2	1,557.9
Property, plant and equipment . . . . .	305.4	321.6	322.7	348.7	345.6
Financial assets . . . . .	2.0	1.3	2.2	4.3	2.2
Investments measured at equity . . . . .	10.6	13.2	13.9	14.2	16.2
Other financial assets . . . . .	11.7	8.7	4.5	7.7	1.1
Other assets . . . . .	3.1	4.4	3.1	2.5	1.8
Deferred tax assets . . . . .	49.4	34.1	20.8	24.8	24.9
<b>Non-current assets . . . . .</b>	<b>2,013.8</b>	<b>2,032.3</b>	<b>1,949.5</b>	<b>2,015.2</b>	<b>1,949.7</b>
Inventories . . . . .	498.8	501.5	484.9	500.5	539.4
Trade accounts receivable . . . . .	502.8	485.9	489.1	480.6	493.0
Income tax receivables . . . . .	30.7	21.2	12.8	14.9	10.9
Other financial assets . . . . .	86.9	74.3	39.9	56.5	29.3
Other assets . . . . .	37.9	29.0	28.7	43.3	45.6
Cash and cash equivalents . . . . .	164.2	143.2	352.6	385.5	320.8
Non-current assets and disposal groups held for sale . . . . .	0.3	0.0	83.0	—	—
<b>Current assets . . . . .</b>	<b>1,321.6</b>	<b>1,255.1</b>	<b>1,490.9</b>	<b>1,481.3</b>	<b>1,438.9</b>
<b>Total assets . . . . .</b>	<b>3,335.5</b>	<b>3,287.4</b>	<b>3,440.4</b>	<b>3,496.5</b>	<b>3,388.5</b>
Share capital . . . . .	157.6	162.1	162.1	162.1	162.1
Capital reserve . . . . .	490.4	514.2	514.2	514.2	514.2
Retained earnings including net income . . . . .	561.4	635.3	673.3	711.4	763.6
Other provisions . . . . .	(371.9)	(364.1)	(379.1)	(398.6)	(409.3)
Treasury shares . . . . .	(1.5)	(1.5)	(1.4)	(1.4)	(1.4)
<b>Equity attributable to shareholders of the parent . . . . .</b>	<b>836.1</b>	<b>946.0</b>	<b>969.0</b>	<b>987.7</b>	<b>1,029.2</b>
Shares relating to non-controlling shareholders . . . . .	67.3	72.5	78.1	73.9	73.5
<b>Equity . . . . .</b>	<b>903.3</b>	<b>1,018.5</b>	<b>1,047.1</b>	<b>1,061.6</b>	<b>1,102.7</b>
Other non-current provisions . . . . .	30.1	28.9	36.0	37.3	35.2
Financial liabilities . . . . .	1,043.0	1,084.2	1,336.4	1,374.5	987.8
Other financial liabilities . . . . .	5.3	7.2	3.9	7.5	3.5
Other liabilities . . . . .	1.6	2.1	1.0	1.9	0.7
Deferred tax liabilities . . . . .	166.7	160.2	116.4	140.9	124.1
<b>Non-current borrowed capital . . . . .</b>	<b>1,246.7</b>	<b>1,282.6</b>	<b>1,493.7</b>	<b>1,562.0</b>	<b>1,151.3</b>
Other provisions . . . . .	17.4	22.5	20.3	18.5	19.1
Financial liabilities . . . . .	448.7	274.7	134.3	222.4	443.9
Trade accounts payable . . . . .	340.8	328.5	336.8	286.1	348.7
Income tax liabilities . . . . .	33.7	39.4	60.6	56.4	64.5
Other financial liabilities . . . . .	257.4	218.8	214.0	201.5	163.2
Other liabilities . . . . .	87.3	102.4	118.9	88.0	95.2
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups . . . . .	—	—	14.6	—	—
<b>Current borrowed capital . . . . .</b>	<b>1,185.4</b>	<b>986.3</b>	<b>899.6</b>	<b>872.9</b>	<b>1,134.5</b>
<b>Total equity and liabilities . . . . .</b>	<b>3,335.5</b>	<b>3,287.4</b>	<b>3,440.4</b>	<b>3,496.5</b>	<b>3,388.5</b>

## Selected Consolidated Cash Flow Statement Information

(€ million)	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
Cash flow from operating activities . . . . .	223.8	311.7	333.5	113.0	89.5
Cash flow from investing activities . . . . .	(262.0)	(178.2)	(172.7)	(98.1)	(73.2)
Cash flow from financing activities . . . . .	83.7	(155.1)	55.2	229.3	(44.1)
<b>Changes in cash and cash equivalents . . . . .</b>	<b>45.5</b>	<b>(21.6)</b>	<b>216.1</b>	<b>244.3</b>	<b>(27.9)</b>
Balance at the beginning of the period . . . . .	126.2	164.2	143.2	143.2	352.6
Changes in cash and cash equivalents due to the scope of consolidation . . . . .	2.1	0.2	(3.4)	—	1.4
Changes in cash and cash equivalents due to exchange rates .	(9.6)	0.3	(3.3)	(2.0)	(5.3)
<b>Balance at the end of the period . . . . .</b>	<b>164.2</b>	<b>143.2</b>	<b>352.6</b>	<b>385.5</b>	<b>320.8</b>



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

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

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

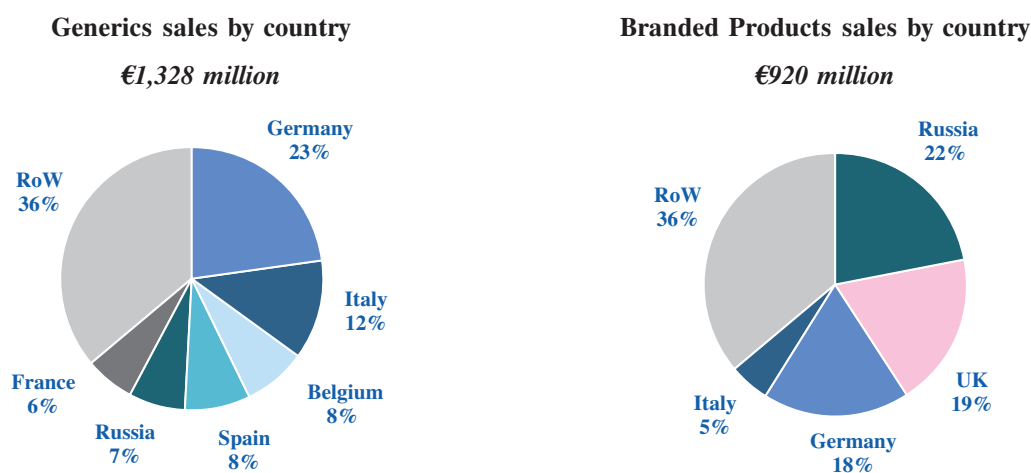
The following discussion of our results of operations also makes reference to certain non-GAAP financial measures, including EBITDA, Management Adjusted EBITDA, Pro Forma Adjusted EBITDA, adjusted sales and adjusted net income. Prospective investors should bear in mind that these Non-GAAP Measures are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

### Overview

We are a leading international healthcare and pharmaceuticals company focused on branded and unbranded generics, and have a successful track record spanning over 120 years. With more than 18,000 SKUs covering a large number of therapeutic areas, we develop, manufacture and market a diversified product portfolio including many category leaders. We distribute our products in approximately 125 countries, and have a direct presence in all major European markets, as well as in growth markets in the MENA region, Asia, South America and Australia.

We are the fourth-largest generics company by sales in Europe as of September 30, 2016. Our market-leading position provides us with a competitive advantage, which is bolstered by our scale, brands, reputation and the breadth of our product portfolio, as well as our local market expertise and established distribution channels built on strong relationships with wholesalers and pharmacies. We continually work to optimize and manage our costs, including through our cost-effective manufacturing footprint comprising 19 facilities across Europe, Asia and South America. Building off our tried and tested platform, we have released on average more than 600 new products per year since 2014. Our solid pipeline of new products provides us with further opportunities as our markets grow. We have a strong track record of growth, both organically and through focused acquisitions, and seek to grow our business and further improve our profitability by internationalizing successful products. In the twelve months ended June 30, 2017, we generated sales of €2,248 million and Pro Forma Adjusted EBITDA of €534 million.

We conduct our operations through two segments: Generics and Branded Products. The graph below sets forth each segment's sales by country for the twelve months ended June 30, 2017:



*Generics:* Through our Generics segment, we sell unbranded generics products, offering a lower-cost alternative to the substantially more expensive pharmaceutical originator products. Most of the products in our Generics segment require a prescription for purchase and are only available from pharmacies and hospitals. The market for prescription products is generally characterized by regulated pricing, with competition driven by reliability of supply and cost competitiveness. Patent expiries of originator drugs feed our product pipeline in the Generics segment, allowing us to leverage our distribution channels and local market knowledge to launch new generics products. The product portfolio in our Generics segment is diversified, with the top ten products accounting for only 17% of sales in our Generics segment for the year ended December 31, 2016. The top-five selling products (and their respective therapeutic areas) in our Generics segment for the year ended December 31, 2016, were: Tilidine Naloxone (pain relief), Atorvastatin (cholesterol), Pantoprazol (gastric ulcers/reflux), Epoetin zeta (anemia) and Diclofenac (pain relief/inflammation). The largest countries by sales in our Generics segment for the twelve months ended June 30, 2017, were: Germany, Italy, Belgium, Spain, Russia, France, Serbia and Vietnam. We generated sales of €1,328 million and Management Adjusted EBITDA of €286 million in our Generics segment for the twelve months ended June 30, 2017.

*Branded Products:* Our Branded Products segment primarily includes branded OTC products, which are typically available without a prescription, such as sunscreens, cough and cold medicines, DNA tests, cosmetics, glucose meters and a small range of branded prescription generics. Our best-known brands include Ladival (suntan), Grippostad and Covonia (cough and cold) and APO-Go (Parkinson's disease). The market for products in our Branded Products segment is generally characterized by market-driven pricing, with brand strength, marketing strategy and customer loyalty important factors for success. Our portfolio of Branded Products is diversified, with the top ten products accounting for only 31% of sales in our Branded Products segment for the year ended December 31, 2016. The top-five selling brands (and their respective therapeutic areas, prescription requirements and markets in which they are sold) in our Branded Products segment for the year ended December 31, 2016, were: APO-Go (Parkinson's disease, prescription required, available in 31 countries), Grippostad (colds, OTC, available in 29 countries), Snup (rhinitis, OTC, available in 18 countries), Fultium (vitamin D deficiency, OTC, available in two countries) and Vitaprost (prostate disease, OTC, available in two countries). The largest countries by sales in our Branded Products segment for the twelve months ended June 30, 2017, were: Russia, the United Kingdom, Germany, Italy and Vietnam. We generated sales of €920 million and Management Adjusted EBITDA of €214 million in our Branded Products segment for the twelve months ended June 30, 2017.

## **Our Reporting Segments**

Our segments transact business with each other in the ordinary course of their operations. In accordance with transfer pricing rules, services between our segments are charged at market prices.

## **Operating Segments**

We report our results of operations in two segments, Generics and Branded Products, which accounted for 59% and 41%, respectively, of our consolidated sales in the twelve months ended June 30, 2017.

Products are assigned to each of our segments on the basis of our marketing strategy. Marketing of generics is generally price-driven where we are dependent on reimbursements, and high product quality is a necessary consequence of the stringent standards set by regulators. Where we determine that we are competing in such an environment, and therefore mainly compete on the basis of price and our efficient cost-structure, we classify products into the Generics business. This mostly applies to prescription products which are most heavily regulated and generally reimbursable. Where we are free to set the price of our products, we classify them into the Branded Products segment. This mostly applies to non-prescription products which do not depend on reimbursements, but also to those of our prescription products that have an established, highly-recognizable brand and significant customer loyalty or low levels of competition. Our OTC products and medical devices are globally assigned to the Branded Products segment. Due to factors such as differences in the prevailing regulation and reimbursement regimes, brand-recognition and competition, the classification of our products may differ between countries. It may also vary over time due to regulatory dynamics, with regulators re-designating prescription products as non-prescription products or discontinuing reimbursement of prescription products. Re-designations are only effective for future periods and never apply retroactively.

Prior to mid-2016, we divided our operations into three operating segments, which, in addition to Generics and Branded Products, also included a segment called Commercial Business which comprised the purchase and subsequent sale of third-party products. In 2016, we decided to integrate the Commercial Business segment into our Generics segment, which we believe achieves a clearer distinction, as each remaining segment now operates with a similar range of products, sales methods and regulatory requirements. As a result, our Commercial Business was reported as a separate segment in our Audited Financial Statements for the years ended December 31, 2014 and 2015 and our Interim Financial Statements for the six months ended June 30, 2016, whereas its results were integrated into the Generics segment for any reporting period ending after June 30, 2016.

### ***Geographic Areas***

We report our results of operations by country at the level of each segment. To provide a meaningful breakdown covering the majority of sales in each segment, we report the eight largest countries in terms of sales in the Generics segment and the five largest markets in the Branded Products segment. Sales are allocated to the country in which the relevant customer is located. Prior to June 30, 2016, we reported our results of operations based on four market regions, including Germany, Central Europe, CIS/Eastern Europe and Asia/Pacific & MENA.

### **Key Factors Affecting Our Results of Operations and Financial Condition**

Factors affecting our results of operations and financial condition include the following:

#### ***Regulation***

Our industry is extensively regulated by a number of international and local regulatory authorities to ensure that pharmaceutical products are effective and safe for use. Regulatory provisions typically require us to obtain marketing authorizations before we are permitted to introduce new products into a market, which drives our development costs. Other regulatory provisions establish high standards for the quality of our products, services, raw materials, manufacturing and working conditions, which influence our cost of sales, selling expenses and general and administrative expenses.

In addition, regulation significantly affects our pricing of products and profitability. In certain markets, such as Germany, the United Kingdom, France and Serbia, the costs of prescription products are generally eligible for reimbursement by third-party payors, such as government health programs. However, regulators set a reference price for each pharmaceutical ingredient or substance group, which is a price limit that caps the amount government health programs will reimburse. Pricing regulation generally benefits generics companies such as us compared to manufacturers of branded originator products. However, regulators may decrease their reference prices from time to time, which especially impacted our sales in Serbia and France during the periods under discussion.

Tenders are another cost-containment measure, primarily being employed by public institutions with governments looking to source pharmaceuticals at the lowest price. Germany has a well-established public tendering system covering the majority of generic sales, in which we have operated successfully during the periods under discussion. Similar tender systems are operated in The Netherlands and Spain. In Italy, the United Kingdom and Vietnam, tenders are used for procurement by public institutions such as hospitals.

Cost-containment measures by regulators and governments may also result in the re-designation of prescription products as OTC products or discontinuation of reimbursement for prescription products. We believe that these measures play to our strengths, as end-consumers in need of pharmaceuticals that are no longer reimbursable are more likely to prefer inexpensive generics such as our products over the costlier originator products. Similarly, a reclassification of a prescription product into an OTC product means that price regulations no longer apply, thereby creating the opportunity for us to leverage our brand recognition to charge premium prices.

#### ***Volume Growth***

We operate in a growing industry, which we believe influenced our sales during the periods under discussion and represents a long-term trend. According to Quintiles IMS, sales in the global generics market (top 50 countries) increased from €158.0 billion in 2014 to €171.9 billion in 2015 and €185.3 billion in 2016, and are expected to grow at a CAGR of 8% from 2017 to 2021. Based on Quintiles IMS data, the

major European generics markets (Germany, the United Kingdom, France, Spain and Italy) are expected to grow at a CAGR of 4.2% from 2017 to 2021.

We believe growth in the global pharmaceuticals market is being driven by long-term trends such as population growth, aging societies, increased incidence of chronic disease, advances in medical therapies, increasing self-medication and health awareness. Growth in the global generics market was additionally driven by increasing generics penetration in the global pharmaceuticals markets, due to cost-containment regulations incentivizing the use of generics to counteract the increasing cost pressure facing government-sponsored health programs and recognizing that generics provide a high-quality and lower-cost alternative to originator products. Another key driver behind the increasing generics penetration is a wave of patent expiries.

In the generics space, we expect biosimilars to play an increasingly important role in the future, as they can contribute significantly to cost control in the national healthcare markets. In 2015, the number of newly expired patents on biologics in Germany exceeded newly expired patents on chemical-synthetic products for the first time ever, which contributed to the significant increase in the global generics market from 2014 to 2015. In addition, it is estimated that twelve of the best-selling biologics in terms of sales will have lost their patent protection by 2020.

We also expect regulators to continue the trend of reclassifying prescription into OTC therapies, thereby stimulating growth in the self-payment and self-care markets. According to Quintiles IMS, the global OTC market is projected to grow at a CAGR of 5% from 2017 to 2021.

### ***Economic Conditions***

We operate in the pharmaceuticals sector of the global healthcare industry which is generally regarded as a non-cyclical industry. Non-cyclical industries are characterized by a low correlation between the demand for their products, which are typically non-discretionary in nature, and fluctuations in general economic conditions.

We believe that sales in our Generics segment, which mostly comprises non-discretionary prescription products, are relatively independent of the economic conditions in our markets. As prices are mostly regulated, frequently reimbursable by government or other health systems and with sales partly driven by chronic diseases, volume demand in the Generics segment is relatively stable throughout the economic cycle. However, the state of the local economy may encourage governments to initiate cost-containment measures. Such measures may be favorable for us if they accelerate the transition from originator products to generics or generics to branded OTC products, but they may be unfavorable where they lead to lower reference prices. Spain, Belgium, France and Serbia are examples of countries in which we derived more than 75% of our sales in 2016 from Generics.

However, the state of the economy impacts on our results of operations in our Branded Products segment, which is mostly comprised of self-pay OTC products. The lack of reimbursement means that sales of OTC products partly depend on consumers' disposable income and general financial situation. A significant portion of our Branded Products is non-discretionary, such as pain relievers, cough and cold medicines, sunscreens and diagnostics. However, some of our Branded Products are lifestyle-driven and discretionary in nature, such as cosmetics and vitamin supplements. Demand for these products is more susceptible to fluctuations in the overall economy. Examples of countries in which Branded Products accounted for a significant portion of our sales in 2016 include Germany, Russia and the United Kingdom including through export sales into the United States (although APO-Go drives our Branded Products sales in the United Kingdom and is a prescription product).

### ***Foreign Currency Exchange Rates***

Due to our international business operations, we are subject to both foreign exchange transaction and translation risk.

Transactional risk arises when we and our subsidiaries execute transactions in a currency other than our respective functional currency. We currently operate 19 manufacturing facilities in ten countries, and sell our products in approximately 125 countries. As a result, a significant portion of our sales and our expenses are denominated in non-euro currencies. Where we are unable to match sales received in foreign currencies with expenses paid in the same currency, our results of operations are affected by currency exchange rate fluctuations. We believe that we are generally able to match sales with expenses incurred in



the same currency, such that part of our foreign exchange transaction risk is naturally hedged. We also use derivatives such as currency futures and swaps to mitigate foreign exchange risk.

We present our Financial Statements in euro. As a result, in the preparation of our Financial Statements we must translate assets, liabilities, income and expenses of all of our operations with a functional currency other than the euro into euro. Consequently, fluctuations in the applicable foreign currency exchange rates may increase or decrease the euro value of our non-euro assets, liabilities, income and expenses, even if their value has not changed in their local functional currency. For example, weakness in the Russian ruble and the British pound sterling during the 2016 fiscal year adversely affected our results of operations through foreign exchange translation losses, whereas a recovery in the Russian ruble in the first half of 2017 strengthened our results. Our principal exposure to translation effects relates to the Russian ruble, Serbian dinar and British pound sterling and, to a lesser degree, the Ukrainian hryvnia, Kazakhstani tenge, Vietnamese dong and the Swiss franc.

### ***Acquisitions and Disposals***

Selective bolt-on acquisitions are part of our strategy. We seek to leverage acquisitions to unlock internal potential for organic growth, meaning that we typically acquire either companies that we can use as a platform for our expansion into new geographic markets or product portfolios that we can roll out in our numerous existing markets. Our focus in terms of acquisitions is on emerging markets that have shown high growth in the past and Branded Products, as this segment is characterized by a lower degree of regulation than Generics. Although we have completed several acquisitions and disposals during the periods under discussion, no individual acquisition or disposition materially affected the comparability of our results of operations.

### ***Restructuring Expenses and Strategic Initiatives***

Our results of operations are affected by special items and, in particular, restructuring expenses and costs of strategic initiatives.

During the periods under discussion we have begun to reduce the complexity in our organization. We reviewed our reporting and business segmentation and decided to integrate our commercial business into our Generics segment, moved away from regional responsibilities and initiated a transition to centralized management. We also consolidated certain entities to realize synergies, for example in Germany. We have started to streamline our product portfolio, which resulted in the discontinuation of smaller volume SKUs and write-offs on certain intangible assets. Additionally, we are reviewing our business processes with the aim of increasing automation, centralization and harmonization across our international operations. We also negotiated with some of our suppliers of finished goods and were able to exact better terms.

The centralization of our management structure was designed to improve our portfolio strategy and facilitate the further internationalization of our Branded Products.

### ***Seasonality***

To a certain degree, our results of operations are affected by seasonality. For example, the results of our Branded Products segment typically fluctuate in line with the magnitude and timing of the cough and cold season which drives sales of our cold medicines such as Grippostad, Covonia, Aqualor, Snup and antibiotics in the fourth and first quarter of each year. In a similar vein, the summer weather in the second and third quarter influences our sales of sunscreen products such as Ladival. Our marketing expenses are subject to the same seasonal drivers.

### ***New Product Launches***

Our sales are impacted by the number of product launches in each year. Particularly in our large and mature markets product launches can be a key driver behind sales growth, as was the case especially in Germany and Spain during the periods under discussion. Most of our product launches relate to new Generics. Because Generics are not usually broadly advertised, these product launches have no material impact on our marketing expenses. In our Branded Products segment, however, our marketing expenses correlate with the number of product launches, as the introduction of a new product is typically accompanied by extensive marketing campaigns. When we launched our successful and fast-growing sleeping aid Hoggar Night, for example, we incurred significant marketing expenses for a TV advertising campaign.

We launched 665, 578 and 626 products in the years 2016, 2015 and 2014, respectively. The number of marketable products that we are able to launch in any year is partly driven by regulation and the availability of new products and thus partly outside our control.

### **Explanation of Key Income Statement Line Items**

Set forth below is a description of the key line items presented in our Financial Statements. Our key line items are reported on the basis of uniform accounting policies that are implemented at each entity within the Target Group's scope of consolidation.

#### ***Sales***

Sales are recognized when goods have been delivered or services rendered, provided that it is probable that measurable economic benefits will flow to the entity and that the significant risks and rewards of ownership have been transferred to the buyer. It must also be possible to reliably measure the company's own costs incurred or to be incurred. Sales are recognized before taxes and after deduction of revenue reductions (rebates or discounts) at fair value of the consideration received or receivable. Expenses due to provisions for warranties are deducted from sales on the basis of estimates which are based on past experience expressed as a percentage of sales. Discounts granted to health insurance systems are recognized as a reduction of sales, based on the relevant contract. Income and expenses from the same transactions are generally recorded in the same period. Expenses related to accruals for future revenue reductions are thus recorded in the period in which the sales are realized.

#### ***Cost of Sales***

Cost of sales includes the costs of raw material inputs and their conversion into marketable products, including the directly associated personnel expenses, as well as depreciation charges related to the relevant production equipment. In addition, cost of sales includes valuation allowances for excess or obsolete inventories and the purchase price of commercial goods sold or provided free of charge. Cost of sales also includes amortization charges against intangible assets recognized in connection with drug approvals. Cost of sales are recognized in the same period in which the associated income is realized.

#### ***Selling Expenses***

In addition to the costs for sales departments and sales force, selling expenses also comprises the costs for advertising and marketing activities including samples for doctors. Selling expenses also includes all costs for the distribution of our products. Discounts in the form of free retail packages, which are referred to as discounts in kind, are not included in selling expenses but in cost of sales.

#### ***General and Administrative Expenses***

Personnel and material costs of service and administrative units are reported under general and administrative expenses, unless they have been charged to other functional areas as internal services.

#### ***Research and Development Expenses***

Research expenses are costs that are incurred in relation to research activity aimed at new scientific or technical findings. We only engage in a limited amount of proprietary research for new active pharmaceutical ingredients and our product portfolio is focused in products that do not require proprietary research. As a result, we typically do not incur material research expenses.

Development costs are costs that result from the technical implementation of theoretical discoveries in production and production processes and facilitate their commercial implementation. As a rule, it is the objective of our drug development process to obtain national or multinational marketing authorizations for our products, to capitalize all development costs incurred in relation to these authorizations and recognize them as intangible assets. As described above under "*Cost of Sales*," we then amortize these intangible assets as part of cost of sales. Whenever development costs do not satisfy the requirements for capitalization, we expense them in the periods in which they are incurred and report them under the line item development costs. Costs related to the development of new products are usually capitalized, whereas costs for technical and regulatory maintenance or optimization of existing products are usually expensed as development costs.

Development costs must satisfy the following criteria in order to be capitalized: (i) it is technically possible for the relevant product to become marketable or otherwise available for use in our business in the future (which generally equates to the grant of a marketing authorization); (ii) we have the intention and ability, as well as the necessary resources, to achieve marketability or utility of the relevant product; (iii) it is probable that the future economic benefits accruing from the intangible asset will flow to the Target Group; and (iv) the cost of the intangible asset can be measured reliably.

#### ***Other Income***

Other income primarily includes reversals of impairment losses and other write-ups on non-current assets (excluding goodwill), income from asset disposals, income from insurance compensation, income from indemnification payments as well as remaining other income not directly associated with functional costs.

#### ***Other Expenses***

Other expenses primarily includes bad debt expenses, currency translation expenses, impairment losses on non-current assets, and certain taxes that cannot be meaningfully attributed to our sales, administration or research and development functions.

#### ***Financial Result***

Financial result is the net of financial income and financial expenses. Financial income primarily includes interest income, distributions received from investments accounted for using the equity method and income from the measurement of financial instruments. Financial expenses are mainly composed of interest expense and expenses from the measurement of derivative financial instruments.

#### ***Income Taxes***

The item income taxes includes taxes on income and earnings paid or owed in the individual countries as well as deferred taxes. Other taxes that cannot be meaningfully attributed to our sales, administration or research and development functions are included in other expenses.

## Results of Operations

The following table provides an overview of our results of operations for the years ended December 31, 2014, 2015 and 2016, as well as the six months ended June 30, 2016 and 2017, as reported pursuant to IFRS:

(€ million)	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
<i>Income Statement Data</i>					
Sales	2,062.2	2,115.1	2,139.2	1,034.7	1,143.2
Cost of sales	(1,070.4)	(1,101.7)	(1,105.3)	(529.3)	(575.8)
<b>Gross Profit</b>	<b>991.8</b>	<b>1,013.4</b>	<b>1,033.9</b>	<b>505.4</b>	<b>567.4</b>
Selling expenses	(458.4)	(482.6)	(488.3)	(232.8)	(243.5)
General and administrative expenses	(152.8)	(178.4)	(182.7)	(90.7)	(98.5)
Research and development expenses	(56.9)	(65.0)	(65.1)	(31.0)	(33.2)
Other income	20.1	20.0	19.3	8.4	11.7
Other expenses	(155.2)	(83.7)	(138.9)	(22.9)	(64.5)
<b>Operating profit</b>	<b>188.5</b>	<b>223.7</b>	<b>178.1</b>	<b>136.3</b>	<b>139.4</b>
Results from investments measured at equity	1.6	1.4	0.7	1.0	2.3
Investment income	0.1	0.1	0.0	0.0	—
Financial income	4.8	1.2	2.7	1.0	1.6
Financial expenses	(70.4)	(68.7)	(54.1)	(27.0)	(23.1)
<b>Financial result</b>	<b>(63.8)</b>	<b>(65.9)</b>	<b>(50.7)</b>	<b>(25.0)</b>	<b>(19.2)</b>
<b>Earnings before taxes</b>	<b>124.7</b>	<b>157.8</b>	<b>127.4</b>	<b>111.3</b>	<b>120.2</b>
Income taxes	(54.6)	(40.6)	(31.9)	(24.7)	(24.9)
<b>Earnings after taxes</b>	<b>70.1</b>	<b>117.2</b>	<b>95.5</b>	<b>86.6</b>	<b>95.3</b>
<i>thereof: distributable to shareholders of the Target (net income)</i>	64.6	110.4	85.9	82.0	90.3
<i>thereof: distributable to non-controlling shareholders</i>	5.5	6.8	9.6	4.6	5.0
<i>Segment Data<sup>(1)</sup></i>					
<b>Sales</b>	<b>2,062.2</b>	<b>2,115.1</b>	<b>2,139.2</b>	<b>1,034.7</b>	<b>1,143.2</b>
<i>thereof: Generics<sup>(2)</sup></i>	<b>1,261.7</b>	<b>1,261.4</b>	<b>1,280.7</b>	<b>627.2</b>	<b>674.4</b>
<i>thereof: Germany</i>	266.4	308.3	308.0	150.5	145.9
<i>thereof: Italy</i>	150.5	149.0	157.7	79.8	84.8
<i>thereof: Belgium</i>	141.6	95.0	90.7	40.8	56.0
<i>thereof: Spain</i>	101.0	107.0	105.4	52.8	53.0
<i>thereof: Russia</i>	118.0	83.6	92.5	49.3	52.3
<i>thereof: Serbia</i>	76.8	73.7	55.8	25.6	44.0
<i>thereof: France</i>	75.5	80.1	81.9	40.4	38.7
<i>thereof: Vietnam</i>	49.0	63.2	69.1	32.4	35.1
<i>thereof: Other</i>	282.9	301.5	319.6	155.6	164.6
<i>thereof: Branded Products</i>	<b>800.5</b>	<b>853.6</b>	<b>858.5</b>	<b>407.3</b>	<b>468.8</b>
<i>thereof: Russia</i>	242.7	212.2	150.1	60.2	108.0
<i>thereof: Germany</i>	128.8	128.3	177.4	100.2	91.4
<i>thereof: United Kingdom</i>	118.2	168.0	175.4	83.6	82.1
<i>thereof: Italy</i>	30.8	40.4	43.9	21.5	21.6
<i>thereof: Vietnam</i>	24.7	30.8	36.7	17.5	19.4
<i>thereof: Other</i>	255.3	273.9	275.0	124.3	146.3

(1) Segment data excludes income and expenses at the holding company level.

(2) For all periods presented, financial information for the Generics segment includes the results of operations of our former Commercial Business segment. See “—Our Reporting Segments—Operating Segments.”

## Six Months Ended June 30, 2017 Compared with Six Months Ended June 30, 2016

The following table provides an overview of our results of operations for the six months ended June 30, 2016 and 2017:

(€ million)	Six months ended June 30,		Change in %
	2017	2016	
Sales . . . . .	1,143.2	1,034.7	10%
Cost of sales . . . . .	(575.8)	(529.3)	9%
<b>Gross Profit . . . . .</b>	<b>567.4</b>	<b>505.4</b>	<b>12%</b>
Selling expenses . . . . .	(243.5)	(232.8)	5%
General and administrative expenses . . . . .	(98.5)	(90.7)	9%
Research and development expenses . . . . .	(33.2)	(31.0)	7%
Other income . . . . .	11.7	8.4	40%
Other expenses . . . . .	(64.5)	(22.9)	182%
<b>Operating profit . . . . .</b>	<b>139.4</b>	<b>136.3</b>	<b>2%</b>
Results from investments measured at equity . . . . .	2.3	1.0	131%
Investment income . . . . .	—	0.0	—%
Financial income . . . . .	1.6	1.0	60%
Financial expenses . . . . .	(23.1)	(27.0)	(14)%
<b>Financial result . . . . .</b>	<b>(19.2)</b>	<b>(25.0)</b>	<b>(23)%</b>
<b>Earnings before taxes . . . . .</b>	<b>120.2</b>	<b>111.3</b>	<b>8%</b>
Income taxes . . . . .	(24.9)	(24.7)	1%
<b>Earnings after taxes . . . . .</b>	<b>95.3</b>	<b>86.6</b>	<b>10%</b>
<i>thereof: distributable to shareholders of the Target (net income) . . . .</i>	90.3	82.0	10%
<i>thereof: distributable to non-controlling shareholders . . . . .</i>	5.0	4.6	9%

### Sales and Adjusted Sales

#### Consolidated Sales

Sales increased by €108.5 million, or 10%, to €1,143.2 million in the six months ended June 30, 2017, from €1,034.7 million in the six months ended June 30, 2016. Over the same period, adjusted sales increased by €64.0 million, or 6%, to €1,096.4 million from €1,032.4 million. Our adjustment to sales accounts for currency effects and portfolio changes. The following table provides a reconciliation of adjusted sales to reported sales for the six months ended June 30, 2017, as well as comparative information for the previous period:

(€ million)	Six months ended June 30,		Change in %
	2017	2016	
<b>Reported sales . . . . .</b>	<b>1,143.2</b>	<b>1,034.7</b>	<b>10%</b>
<i>thereof: Generics<sup>(1)</sup> . . . . .</i>	674.4	627.2	8%
<i>thereof: Branded Products . . . . .</i>	468.8	407.3	15%
<b>Currency effects<sup>(2)</sup> . . . . .</b>	<b>(20.1)</b>	<b>—</b>	<b>—</b>
<i>thereof: Generics<sup>(1)</sup> . . . . .</i>	(9.3)	—	—
<i>thereof: Branded Products . . . . .</i>	(10.8)	—	—
<b>Portfolio changes<sup>(3)</sup> . . . . .</b>	<b>(26.8)</b>	<b>(2.3)</b>	<b>N/A</b>
<i>thereof: Generics<sup>(1)</sup> . . . . .</i>	(16.9)	(2.3)	N/A
<i>thereof: Branded Products . . . . .</i>	(9.9)	—	—
<b>Adjusted sales . . . . .</b>	<b>1,096.4</b>	<b>1,032.4</b>	<b>6%</b>
<i>thereof: Generics<sup>(1)</sup> . . . . .</i>	648.3	624.9	4%
<i>thereof: Branded Products . . . . .</i>	448.1	407.3	10%

(1) For all periods presented, sales of the Generics segment includes sales of our former Commercial Business segment. See “—Our Reporting Segments—Operating Segments.”



- (2) The adjustment in respect of currency effects removes the distorting impact of exchange rate movements that affect the comparability of sales for the periods presented. In calculating this adjustment we translate our non-euro denominated sales in each period at the same foreign exchange rates as in the comparative period.
- (3) The adjustment in respect of portfolio changes is a like-for-like adjustment that excludes the effect of investments in and divestments of companies and products. In calculating this adjustment, we only take into account the organic sales generated by products that were sold in both periods that are being compared.

The adjustment in respect of currency effects decreased sales in the six months ended June 30, 2017, by €20.1 million. The adjustment primarily reflects the appreciation of the Russian ruble against the euro, which was partly offset by the depreciation of the British pound sterling.

The adjustment in respect of portfolio changes decreased sales in the six months ended June 30, 2017, by €26.8 million. The adjustment primarily removes the impact on sales of our acquisitions of Velexfarm in Serbia and Natures Aid in the United Kingdom.

#### *Constant-Currency Sales*

Constant-currency sales increased by €89.7 million, or 9%, to €1,122.8 million in the six months ended June 30, 2017, from €1,033.1 million in the six months ended June 30, 2016.

#### *Sales by Operating Segment*

##### Generics

Reported sales in our Generics segment increased by €47.2 million, or 8%, to €674.4 million in the six months ended June 30, 2017, from €627.2 million in the six months ended June 30, 2016. This increase was primarily due to the contribution of our Serbian subsidiary Velexfarm d.o.o., which we acquired in the first quarter of 2017. Additionally, the increase was due to higher segment sales in Italy and Belgium, with the latter driven by higher volumes resulting from the insourcing of our sales activities in Belgium in January 2017, following the termination of the distribution agreement (the “Omega Distribution Agreement”) with our former Belgian distribution partner, Omega Pharma N.V., in December 2016. Over the same period, adjusted sales in the Generics segment increased by €23.4 million, or 4%, to €648.3 million, from €624.9 million, primarily due to better sales performance in Belgium and Italy. Generics accounted for 59% of reported sales in the six months ended June 30, 2017, representing a decrease from 61% in the previous period. Our top five active pharmaceutical ingredients accounted for sales of €63.8 million in the six months ended June 30, 2017, or 9.5% of total sales in the Generics segment, compared to €65.2 million, or 10%, in the six months ended June 30, 2016. With sales of €17.8 million, a decrease of €4.8 million, or 21%, from €22.6 million in the previous period, Tilidine Naloxone was the best-selling active pharmaceutical ingredient in the Generics segment in the six months ended June 30, 2017.

##### Branded Products

Reported sales in our Branded Products segment increased by €61.5 million, or 15%, to €468.8 million in the six months ended June 30, 2017, from €407.3 million in the six months ended June 30, 2016. This increase was primarily due to our improved performance in the Russian market, as well as stronger sales in the Serbian market. Over the same period, adjusted sales in the Branded Products segment increased by €40.8 million, or 10%, to €448.1 million, from €407.3 million. Branded Products accounted for 41% of reported sales in six months ended June 30, 2017, representing an increase from 39% in the previous period. Our top five Branded Products accounted for sales of €110.0 million in the six months ended June 30, 2017, or 23.5% of sales in the Branded Products segment, compared to €86.8 million, or 21%, in the six months ended June 30, 2016.

## Sales by Geographic Area

The following tables show our sales by reporting segment and country for the six months ended June 30, 2017 and 2016:

Generics—Eight Largest Markets (€ million)	Six months ended June 30,		Change in %
	2017	2016	
Germany . . . . .	145.9	150.5	(3)%
Italy . . . . .	84.8	79.8	6%
Belgium . . . . .	56.0	40.8	37%
Spain . . . . .	53.0	52.8	0%
Russia . . . . .	52.3	49.3	6%
Serbia . . . . .	44.0	25.6	72%
France . . . . .	38.7	40.4	(4)%
Vietnam . . . . .	35.1	32.4	8%
Other . . . . .	164.6	155.6	6%
<b>Total Generics segment . . . . .</b>	<b>674.4</b>	<b>627.2</b>	<b>8%</b>

Branded Products—Five Largest Markets (€ million)	Six months ended June 30,		Change in %
	2017	2016	
Russia . . . . .	108.0	60.2	80%
Germany . . . . .	91.4	100.2	(9)%
United Kingdom . . . . .	82.1	83.6	(2)%
Italy . . . . .	21.6	21.5	1%
Vietnam . . . . .	19.4	17.5	10%
Other . . . . .	146.3	124.3	18%
<b>Total Branded Products segment . . . . .</b>	<b>468.8</b>	<b>407.3</b>	<b>15%</b>

### Germany

Sales in Germany decreased by €13.4 million, or 5%, to €237.3 million in the six months ended June 30, 2017, from €250.7 million in the six months ended June 30, 2016. Generics accounted for €145.9 million of sales in Germany, or 62%, compared to €150.5 million, or 60%, in the previous period. This decrease was primarily due to the expiration of discount agreements (*Rabattverträge*) between STADApHarm and social health insurance schemes in December 2016 and the particularly strong performance in the previous period. Branded Products accounted for €91.4 million of sales in Germany, or 38%, compared to €100.2 million, or 40%, in the previous period. This decrease was primarily due to reporting date effects in connection with annual orders (*Jahresaufträge*), which provide for the delivery of a specified product volume spread out over the course of an entire year. Annual orders leave room for discretion of the supplier as to the timing of individual deliveries. In 2016, STADA GmbH delivered the bulk of such annual orders in the first half of the year, whereas in 2017 we expect the delivery of such orders to be evenly distributed across the year.

### Russia

Sales in the Russian Federation increased by €50.8 million, or 46%, to €160.3 million in the six months ended June 30, 2017, from €109.5 million in the six months ended June 30, 2016. On a constant currency basis, sales of Generics decreased by 13% in the six months ended June 30, 2017 compared to the previous period, primarily due to lower volumes. On an actual basis, sales of Generics increased by 6% to €52.3 million from €49.3 million, primarily due to the appreciation of the Russian ruble against the euro. Generics accounted for 33% of sales in Russia, compared to 45% in the previous period. On a constant currency basis, sales in our Branded Products segment increased by 48% in the six months ended June 30, 2017 compared to the previous period. On an actual basis, sales of Branded Products increased by 80% to €108.0 million from €60.2 million in the previous period. This increase was primarily driven by higher volumes and also by favorable foreign exchange translation effects. Branded Products accounted for 67% of sales in Russia, compared to 55% in the previous period.

## United Kingdom

On a constant currency basis, sales of Branded Products in the United Kingdom increased by 8% in the six months ended June 30, 2017 compared to the previous period. On an actual basis, sales of Branded Products decreased by 2% to €82.1 million from €83.6 million, primarily due to a weak cough and cold season in the first six months of 2017 as well as negative currency effects resulting from the United Kingdom's referendum decision to leave the European Union. Branded Products accounted for 86% of total sales in the UK market in the six months ended June 30, 2017, compared to 89% in the six months ended June 30, 2016. Generics accounted for the balance of our sales in the period.

## Italy

Sales in Italy increased by €5.1 million, or 5%, to €106.4 million in the six months ended June 30, 2017, from €101.3 million in the six months ended June 30, 2016. Over the same period, sales of Generics in Italy increased by 6% to €84.8 million, from €79.8 million in the previous period. Generics accounted for 80% of our sales in Italy in the six months ended June 30, 2017 compared to 79% in the six months ended June 30, 2016. Sales of Branded Products in Italy remained relatively stable at €21.6 million in the six months ended June 30, 2017 compared to €21.5 million in the previous period. Branded Products accounted for 20% of our sales in Italy in the six months ended June 30, 2017 compared to 21% in the six months ended June 30, 2016.

## Spain

Sales of Generics in Spain remained relatively stable at €53.0 million in the six months ended June 30, 2017, compared to €52.8 million in the six months ended June 30, 2016. Generics accounted for 83% of our sales in Spain, compared to 85% in the six months ended June 30, 2016. Branded Products accounted for the balance of our sales in the period.

## Belgium

In Belgium, sales of Generics increased by €15.2 million, or 37%, to €56.0 million in the six months ended June 30, 2017, from €40.8 million in the six months ended June 30, 2016, primarily due higher volumes resulting from the insourcing of our sales activities in January 2017, following the termination of our Omega Distribution Agreement. Over the same period, Generics accounted for 90% of our Belgian sales, compared to 88% in the previous period. Branded Products accounted for the balance of our sales in the period.

## France

In France, sales of Generics decreased by €1.7 million, or 4%, to €38.7 million in the six months ended June 30, 2017, from €40.4 million in the six months ended June 30, 2016. This decrease was primarily due to the market's strong and continued price-based and discount-based competition. Over the same period, Generics accounted for 93% of our sales in France, which represents a slight decrease from 96% in the previous period. Branded Products accounted for the balance of our sales in the period.

## Vietnam

Sales in Vietnam increased by €4.5 million, or 9%, to €54.4 million in the six months ended June 30, 2017, from €49.9 million in the six months ended June 30, 2016. On a constant currency basis, sales of Generics increased by 7% compared to the previous period. On an actual basis, sales of Generics in Vietnam increased by 8% to €35.1 million from €32.4 million in the previous period. This increase was primarily due to new sales contracts we won in tenders within the local hospital market. Over the same period, Generics accounted for 64% of sales in Vietnam, relatively stable compared to 65% in the previous period. Sales from Branded Products increased by 9% on a constant currency basis in the six months ended June 30, 2017 compared to the previous period. On an actual basis, sales increased by 10% to €19.4 million from €17.5 million in the previous period. Branded Products accounted for 36% of overall sales in Vietnam, relatively stable compared to 35% in the previous period.

## Serbia

Our sales of Generics in Serbia, on a constant currency basis, increased by €18.5 million, or 72%, to €44.1 million in the six months ended June 30, 2017, from €25.6 million in the six months ended June 30,

2016. On an actual basis, sales increased by €18.4 million, or 72%, to €44.0 million from €25.6 million in the previous period. This increase was primarily due to the sales contribution from our newly-acquired Serbian subsidiary Velefarm, which became a consolidated subsidiary as of January 2017. In addition, the increase was driven by our adoption of a new distribution model in the Serbian Generics market, under which our Serbian operations will increasingly focus on direct sales rather than through wholesalers. Over the same period, Generics accounted for 81% of sales in Serbia, which represents an increase compared to 76% in the previous period. Branded Products accounted for the balance of our sales in the period.

#### ***Cost of Sales***

Cost of sales increased by €46.5 million, or 9%, to €575.8 million in the six months ended June 30, 2017, from €529.3 million in the six months ended June 30, 2016. This increase was proportionally lower than the increased sales, particularly due to an exchange-rate related improvement in purchasing conditions in the CIS subgroup.

#### ***Selling Expenses***

Selling expenses increased by €10.7 million, or 5%, to €243.5 million in the six months ended June 30, 2017, from €232.8 million in the six months ended June 30, 2016. This increase was primarily due to increased marketing and sales expenses in the Branded Products segment, particularly in Russia, the United Kingdom and Italy.

#### ***General and Administrative Expenses***

General and administrative expenses increased by €7.8 million, or 9%, to €98.5 million in the six months ended June 30, 2017, from €90.7 million in the six months ended June 30, 2016 and, as a percentage of consolidated sales, decreased slightly to 8.6% from 8.8% due to various management consulting expenses in connection with ongoing operational improvements.

#### ***Research and Development Expenses***

Research and development expenses increased by €2.2 million, or 7%, to €33.2 million in the six months ended June 30, 2017, from €31.0 million in the six months ended June 30, 2016.

#### ***Other Income***

Other income increased by €3.3 million, or 40%, to €11.7 million in the six months ended June 30, 2017, from €8.4 million in the six months ended June 30, 2016. This increase was primarily due to write-ups on non-current assets in the Branded Products segment.

#### ***Other Expenses***

Other expenses increased by €41.6 million to €64.5 million in the six months ended June 30, 2017, from €22.9 million in the six months ended June 30, 2016. This increase was primarily due to increased write-downs on non-current assets in the Branded Products segment, of which Fultium-D3 vitamin drops are the largest single item, as well as an increase in consulting expenses in connection with the Acquisition and write-downs on trade accounts receivable.

#### ***Financial Result***

Financial result decreased by €5.8 million, or 23%, to a loss of €19.2 million in the six months ended June 30, 2017, from a loss of €25.0 million in the six months ended June 30, 2016. This decrease was primarily due to lower expenses from the measurement of derivative financial instruments and lower interest expenses.

#### ***Income Taxes***

Income taxes increased by €0.2 million, or 1%, to €24.9 million in the six months ended June 30, 2017, from €24.7 million in the six months ended June 30, 2016. Our reported tax rate decreased to 20.7% from 22.2% in the previous period, mainly due to the reversal of tax provisions in relation to, among other things, an agreement between two tax authorities in respect of transfer pricing positions.

### ***Key Earnings Figures***

Overall, our results of operations in the six months ended June 30, 2017, benefitted from positive trends in the Belgian Generics segment and the Russian Branded Products segment. However, special items (such as consulting expenses related to the Acquisition) in an amount of €17.1 million before taxes and €12.3 million after taxes were recorded in the first half of 2017 and negatively affected our key earnings figures in the first six months of 2017; see the discussion of “—*Special Items*” below.

#### ***Operating Profit, Adjusted Operating Profit***

Reported operating profit increased by €3.1 million, or 2%, to €139.4 million in the six months ended June 30, 2017, from €136.3 million in the six months ended June 30, 2016. Due to adjustments for special items, adjusted operating profit increased by 19% to €183.4 million from €153.6 million in the previous period.

Reported operating profit in the Generics segment increased by €18.0 million, or 17%, to €122.6 million in the six months ended June 30, 2017, from €104.6 million in the six months ended June 30, 2016. This increase was primarily due to higher operating profit in Belgium, following our termination of the Omega Distribution Agreement in December 2016 as well as higher operating profit in the German Generics segment. Adjusted operating profit in the Generics segment increased by 18% to €124.4 million from €105.6 million in the previous period. The adjusted operating profit margin of Generics was 18.4%, compared to 16.8% in the previous period. The reported operating profit margin in our Generics segment was 18.2%, compared to 16.7% in the previous period.

Reported operating profit in the Branded Products segment increased by €2.1 million, or 3%, to €72.8 million in the six months ended June 30, 2017, from €70.7 million in the six months ended June 30, 2016. This increase was primarily due to strong sales and positive translation effects in Russia as well as the higher earnings contribution from our Serbian subgroup due to the integration of a consumer health product portfolio acquired in the third quarter of 2016 and the associated improvement of our market position. Adjusted operating profit in the Branded Products segment increased by 10% to €97.7 million from €88.7 million in the previous period. This increase was also due to the aforementioned drivers of reported operating profit. The adjusted operating profit margin of Branded Products was 20.8%, compared to 21.8% in the previous period. The reported operating profit margin of our Branded Products segment was 15.5%, compared to 17.4% in the previous period.

#### ***Net Income, Adjusted Net Income***

Reported net income increased by €8.3 million, or 10%, to €90.3 million in the six months ended June 30, 2017, from €82.0 million in the six months ended June 30, 2016. Due to adjustments for special items, adjusted net income increased by €18.0 million, or 19%, to €114.1 million from €96.1 million in the previous period.

#### ***EBITDA and Management Adjusted EBITDA***

EBITDA increased by €20.2 million, or 10%, to €220.9 million in the six months ended June 30, 2017, from €200.7 million in the six months ended June 30, 2016. Due to adjustments for special items, Management Adjusted EBITDA increased by 18% to €237.7 million from €202.3 million in the previous period.

EBITDA in our Generics segment increased by €21.7 million, or 17%, to €151.0 million in the six months ended June 30, 2017, from €129.3 million in the six months ended June 30, 2016. This increase was due to the drivers described in the discussion of operating profit above. The EBITDA margin in Generics was 22.4%, compared to 20.6% in the previous period. Management Adjusted EBITDA in our Generics segment increased by 16% to €150.7 million from €129.6 million in the previous period. This increase in Management Adjusted EBITDA was primarily due to the improved performance in Belgium and Germany described in the discussion of operating profit above. The Management Adjusted EBITDA margin in our Generics segment was 22.3%, compared to 20.7% in the previous period.

EBITDA in our Branded Products segment increased by €16.8 million, or 16%, to €121.5 million in the six months ended June 30, 2017, from €104.7 million in the six months ended June 30, 2016. This increase was due to the drivers described in the discussion of operating profit above. The EBITDA margin of Branded Products was 25.9%, compared to 25.7% in the previous period. Management Adjusted EBITDA in our Branded Products segment increased by 12% to €121.4 million from €108.6 million in the previous period. This increase was mainly due to the drivers described in the discussion of operating profit above. The



Management Adjusted EBITDA margin in our Branded Products segment was 25.9%, compared to 26.7% in the previous period.

### Special Items

When adjusting for special items, earnings before taxes would have been higher by €44.0 million in the six months ended June 30, 2017, compared to our reported results for the six months ended June 30, 2017.

The following tables provide an overview of our special items and their impact on certain line items for the six months ended June 30, 2017 and 2016:

(€ million)	Six months ended June 30, 2017 reported	Impairments / write-ups on fixed assets	Effects from purchase price allocations and product acquisitions <sup>(1)</sup>	Consultancy services in connection with the Acquisition	Reversals of tax provisions	Six months ended June 30, 2017 adjusted
Operating profit . . . . .	139.4	18.2	8.7	17.1	—	183.4
Result from investments measured at equity . . . . .	2.3	—	—	—	—	2.3
Investment income . . . . .	—	—	—	—	—	—
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>141.7</b>	<b>18.2</b>	<b>8.7</b>	<b>17.1</b>	<b>—</b>	<b>185.7</b>
Financial income and expenses . . . . .	21.5	—	—	—	—	21.5
<b>Earnings before taxes (EBT) . . . . .</b>	<b>120.2</b>	<b>18.2</b>	<b>8.7</b>	<b>17.1</b>	<b>—</b>	<b>164.2</b>
Income taxes . . . . .	24.9	3.3	1.2	4.8	10.4	44.6
Result distributable to non-controlling shareholders . . . . .	5.0	0.3	0.2	—	—	5.5
<b>Result distributable to shareholders of STADA Arzneimittel AG (net income) . . . . .</b>	<b>90.3</b>	<b>14.6</b>	<b>7.3</b>	<b>12.3</b>	<b>(10.4)</b>	<b>114.1</b>
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>141.7</b>	<b>18.2</b>	<b>8.7</b>	<b>17.1</b>	<b>—</b>	<b>185.7</b>
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets . . . . .	79.2	(18.2)	(9.0)	—	—	52.0
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA/Management Adjusted EBITDA) . . . . .</b>	<b>220.9</b>	<b>—</b>	<b>(0.3)</b>	<b>17.1</b>	<b>—</b>	<b>237.7</b>

- (1) In 2013, we completed several acquisitions (including the acquisition of Thornton & Ross in the United Kingdom, as well as our acquisition of control over the Vietnamese companies Pymepharco and STADA Vietnam) which resulted in purchase price allocations as well as measurement effects. Taking as a basis the levels in 2013, this adjustment adds back additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions.

(€ million)	Six months ended June 30, 2016 reported	Impairments / write-ups on fixed assets	Effects from purchase price allocations and product acquisitions <sup>(1)</sup>	Currency effects CIS/ Eastern Europe <sup>(2)</sup>	Measurement of derivative financial instruments	Other	Six months ended June 30, 2016 adjusted
Operating profit . . . . .	136.3	6.9	10.0	4.4	—	(4.0)	153.6
Result from investments measured at equity . . . .	1.0	—	—	—	—	—	1.0
Investment income . . . . .	0.0	—	—	—	—	—	0.0
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>137.3</b>	<b>6.9</b>	<b>10.0</b>	<b>4.4</b>	<b>—</b>	<b>(4.0)</b>	<b>154.6</b>
Financial income and expenses . . . . .	26.0	—	—	—	(0.7)	—	25.3
<b>Earnings before taxes (EBT) . . . . .</b>	<b>111.3</b>	<b>6.9</b>	<b>10.0</b>	<b>4.4</b>	<b>0.7</b>	<b>(4.0)</b>	<b>129.3</b>
Income taxes . . . . .	24.7	1.5	1.9	0.6	0.2	(0.3)	28.4
Result distributable to non-controlling shareholders . . . . .	4.6	0.0	0.2	—	—	—	4.8
<b>Result distributable to shareholders of STADA Arzneimittel AG (net income) . . . . .</b>	<b>82.0</b>	<b>5.4</b>	<b>8.1</b>	<b>3.8</b>	<b>0.5</b>	<b>(3.7)</b>	<b>96.1</b>
Earnings before interest and taxes (EBIT) . . . . .	137.3	6.9	10.0	4.4	—	(4.0)	154.6
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets . . . . .	63.4	(6.9)	(8.8)	—	—	—	47.7
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA/ Management Adjusted EBITDA) . . . . .</b>	<b>200.7</b>	<b>—</b>	<b>1.2</b>	<b>4.4</b>	<b>—</b>	<b>(4.0)</b>	<b>202.3</b>

- (1) In 2013, we completed several acquisitions (including the acquisition of Thornton & Ross in the United Kingdom, as well as our acquisition of control over the Vietnamese companies Pymepharco and STADA Vietnam) which resulted in purchase price allocations as well as measurement effects. Taking as a basis the levels in 2013, this adjustment adds back additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions.
- (2) Relates to transactional foreign exchange losses recorded in the income statement resulting from the fluctuation of the Russian ruble and other significant currencies in the market region CIS/Eastern Europe during the periods presented. As of January 1, 2017, STADA has discontinued this adjustment in its reporting, as it believes the significant fluctuations experienced in more recent periods have returned to a more normal level.

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

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

(€ million)	Year ended December 31,		Change in %
	2016	2015	
Sales . . . . .	2,139.2	2,115.1	1%
Cost of sales . . . . .	(1,105.3)	(1,101.7)	0%
<b>Gross Profit . . . . .</b>	<b>1,033.9</b>	<b>1,013.4</b>	<b>2%</b>
Selling expenses . . . . .	(488.3)	(482.6)	1%
General and administrative expenses . . . . .	(182.7)	(178.4)	2%
Research and development expenses . . . . .	(65.1)	(65.0)	0%
Other income . . . . .	19.3	20.0	(4)%
Other expenses . . . . .	(138.9)	(83.7)	66%
<b>Operating profit . . . . .</b>	<b>178.1</b>	<b>223.7</b>	<b>(20)%</b>
Results from investments measured at equity . . . . .	0.7	1.4	(50)%
Investment income . . . . .	0.0	0.1	(83)%
Financial income . . . . .	2.7	1.2	132%
Financial expenses . . . . .	(54.1)	(68.7)	(21)%
<b>Financial result . . . . .</b>	<b>(50.7)</b>	<b>(65.9)</b>	<b>(23)%</b>
<b>Earnings before taxes . . . . .</b>	<b>127.4</b>	<b>157.8</b>	<b>(19)%</b>
Income taxes . . . . .	(31.9)	(40.6)	(21)%
<b>Earnings after taxes . . . . .</b>	<b>95.5</b>	<b>117.2</b>	<b>(18)%</b>
thereof: distributable to shareholders of the Target (net income) . . .	85.9	110.4	(22)%
thereof: distributable to non-controlling shareholders . . . . .	9.6	6.8	42%

### Sales and Adjusted Sales

#### Consolidated Sales

Sales increased by €24.1 million, or 1%, to €2,139.2 million in the year ended December 31, 2016, from €2,115.1 million in the year ended December 31, 2015. Over the same period, adjusted sales increased by €66.8 million, or 3%, to €2,167.2 million from €2,100.4 million. Our adjustment to sales accounts for currency effects and portfolio changes. The following table provides a reconciliation of adjusted sales to reported sales for the year ended December 31, 2016, as well as comparative information for the previous year:

(€ million)	Year ended December 31,		Change in %
	2016	2015	
<b>Reported sales . . . . .</b>	<b>2,139.2</b>	<b>2,115.1</b>	<b>1%</b>
thereof: Generics <sup>(1)</sup> . . . . .	1,280.7	1,261.4	2%
thereof: Branded Products . . . . .	858.5	853.6	1%
<b>Currency effects<sup>(2)</sup> . . . . .</b>	<b>69.6</b>	<b>—</b>	<b>—</b>
thereof: Generics <sup>(1)</sup> . . . . .	17.9	—	—
thereof: Branded Products . . . . .	51.7	—	—
<b>Portfolio changes<sup>(3)</sup> . . . . .</b>	<b>(41.6)</b>	<b>(14.7)</b>	<b>—</b>
thereof: Generics <sup>(1)</sup> . . . . .	(11.2)	(8.2)	—
thereof: Branded Products . . . . .	(30.4)	(6.5)	—
<b>Adjusted sales . . . . .</b>	<b>2,167.2</b>	<b>2,100.4</b>	<b>3%</b>
thereof: Generics <sup>(1)</sup> . . . . .	1,287.4	1,253.2	3%
thereof: Branded Products . . . . .	879.8	847.1	4%

(1) For all periods presented, sales of the Generics segment includes sales of our former Commercial Business segment. See “— Our Reporting Segments—Operating Segments.”

- (2) The adjustment in respect of currency effects removes the distorting impact of exchange rate movements that affect the comparability of sales for the periods presented. In calculating this adjustment we translate our non-euro denominated sales in each period at the same foreign exchange rates as in the comparative period.
- (3) The adjustment in respect of portfolio changes is a like-for-like adjustment that excludes the effect of investments in and divestments of companies and products. In calculating this adjustment, we only take into account the organic sales generated by products that were sold in both periods that are being compared.

The adjustment in respect of currency effects increased sales in the year ended December 31, 2016 by €69.6 million. The amount of the adjustment was primarily due to the devaluation of the Russian ruble, British pound sterling and Serbian dinar against the euro. While the Russian ruble was weaker in light of a depressed economic environment, the British pound sterling decreased significantly compared to the euro in the wake of the referendum to leave the European Union (Brexit). The Serbian dinar depreciated only slightly against the euro during 2016, while the Ukrainian hryvnia, Kazakhstani tenge, Vietnamese dong and Swiss franc were all markedly weaker. Foreign exchange translation effects in relation to other currencies only had a minor impact on our sales.

The adjustment in respect of portfolio changes decreased sales by €41.6 million in the year ended December 31, 2016, primarily due to our acquisition of the Socialites group and Laboratorio Vannier. In the year ended December 31, 2015, the adjustment in respect of portfolio changes decreased sales by €14.7 million, including the retrospective adjustment, primarily due to the disposal of Laboratoires d'études et de recherches en oligo elements therapie SA and the suspension of the commercial business within STADA Nordic.

#### *Constant-Currency Sales*

Constant-currency sales increased by €83.6 million, or 4%, to €2,133.1 million in the year ended December 31, 2016, from €2,049.5 million in the year ended December 31, 2015.

#### *Sales by Operating Segment*

##### Generics

Reported sales in our Generics segment increased by €19.3 million, or 2%, to €1,280.7 million in the year ended December 31, 2016, from €1,261.4 million in the year ended December 31, 2015. This increase was primarily due to higher sales in Italy, Russia and Vietnam. Over the same period, adjusted sales in the Generics segment increased by €34.2 million, or 3%, to €1,287.4 million, from €1,253.2 million. The greater increase compared to reported sales is mainly due to the elimination of adverse foreign currently exchange effects. Generics accounted for 59.9% of consolidated sales in 2016, relatively stable compared to 59.7% in the previous year. Our top five active pharmaceutical ingredients accounted for sales of €133.4 million in the year ended December 31, 2016, or 10.4% of total sales in the Generics segment, compared to €117.9 million, or 9.3%, in the year ended December 31, 2015. With sales of €43.6 million, an increase of €11.6 million, or 36%, from €32.0 million in the previous year, Tilidine Naloxone was the best-selling active pharmaceutical ingredient in the Generics segment in 2016.

##### Branded Products

Reported sales in our Branded Products segment increased slightly by €4.9 million, or 1%, to €858.5 million in the year ended December 31, 2016, from €853.6 million in the year ended December 31, 2015. This increase was driven by a strong sales performance in Germany and inorganic sales growth in the United Kingdom due to acquisitions, which were almost entirely offset by declining sales in Russia. Over the same period, adjusted sales in the Branded Products segment increased by 4% to €879.8 million in 2016 from €847.1 million in 2015, with the majority of the adjustment being driven by foreign currency exchange effects. Branded products accounted for 40.1% of consolidated sales in 2016, relatively constant compared to 40.3% of consolidated sales in the previous year. Our top five Branded Products accounted for sales of €177.1 million in the year ended December 31, 2016, or 20.6% of sales in the Branded Products segment, compared to €199.7 million, or 23.4% of sales of Branded Products, in the year ended December 31, 2015.

### *Sales by Geographic Area*

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

Generics—Eight Largest Markets (€ million)	Year ended December 31,		Change in %
	2016	2015	
Germany . . . . .	308.0	308.3	0%
Italy . . . . .	157.7	149.0	6%
Spain . . . . .	105.4	107.0	(1)%
Russia . . . . .	92.5	83.6	11%
Belgium . . . . .	90.7	95.0	(5)%
France . . . . .	81.9	80.1	2%
Vietnam . . . . .	69.1	63.2	9%
Serbia . . . . .	55.8	73.7	(24)%
Other . . . . .	319.6	301.5	6%
<b>Total Generics segment . . . . .</b>	<b>1,280.7</b>	<b>1,261.4</b>	<b>2%</b>

Branded Products—Five Largest Markets (€ million)	Year ended December 31,		Change in %
	2016	2015	
Germany . . . . .	177.4	128.3	38%
United Kingdom . . . . .	175.4	168.0	4%
Russia . . . . .	150.1	212.2	(29)%
Italy . . . . .	43.9	40.4	9%
Vietnam . . . . .	36.7	30.8	19%
Other . . . . .	275.0	273.9	0%
<b>Total Branded Products segment . . . . .</b>	<b>858.5</b>	<b>853.6</b>	<b>1%</b>

#### Germany

Sales in Germany increased by €48.8 million, or 11%, to €485.4 million in the year ended December 31, 2016, from €436.6 million in the year ended December 31, 2015. Generics accounted for €308.0 million of sales in Germany, or 63% of overall German sales, compared to €308.3 million, or 71%, in the previous year. Sales in our Branded Products segment increased by €49.1 million, or 38%, to €177.4 million in 2016 from €128.3 million in 2015. This increase was primarily due to optimizations in our product portfolio, higher sales of core products and new product launches.

#### Russia

Sales in the Russian Federation decreased by €53.2 million, or 18%, to €242.6 million in the year ended December 31, 2016, from €295.8 million in the year ended December 31, 2015. On a constant currency basis, sales of Generics increased by 18% in the year ended December 31, 2016 compared to the previous year. On an actual basis, sales grew by 11% to €92.5 million from €83.6 million in the previous year. Generics accounted for 38% of sales in Russia, compared to 28% in the previous year. On a constant currency basis, sales in our Branded Products segment decreased by 25% in the year ended December 31, 2016 compared to the previous year. On an actual basis sales decreased by 29% to €150.1 million in 2016 from €212.2 million in the previous year, primarily due to the growing consolidation among our customers and softer overall demand, which necessitated conceding higher volume discounts in the period. These adverse effects were partly offset by increases in the reimbursement prices payable according to the Russian Vital and Essential Drugs List (VEP). To a lesser degree, the decrease was driven by adverse foreign currency exchange effects as a result of the depreciation of the Russian ruble against the euro. Branded Products accounted for 62% of sales in Russia, compared to 72% in the previous year.

#### Italy

Sales in Italy increased by €12.2 million, or 6%, to €201.6 million in the year ended December 31, 2016, from €189.5 million in the year ended December 31, 2015. Sales of Generics in Italy increased by 6% to



€157.7 million in the year ended December 31, 2016 from €149.0 million in the previous year. This increase was primarily a result of higher volumes. Generics accounted for 78% of sales in Italy, compared to 79% in the previous year. Sales of Branded Products in Italy increased by 9% to €43.9 million from €40.4 million in the previous year, primarily as a result of acquisitions of cough and cold medicines in Italy. Branded Products accounted for 22% of sales in Italy, a slight increase from 21% in the previous year.

#### United Kingdom

On a constant currency basis, sales of Branded Products in the United Kingdom increased by 17% in the year ended December 31, 2016 compared to the previous year. On an actual basis, sales increased by 4% to €175.4 million in 2016 from €168.0 million in the previous year. This increase was primarily due to the impact of our acquisitions of the Socialites Group in December 2015 and BSMW Limited in February 2016, but was partly offset by adverse foreign currency exchange effects in connection with the depreciation of the British pound sterling against the euro following the Brexit referendum, a week cough and cold season at the beginning of the year 2016, which adversely impacted our sales of cough and cold medicine, and poor summer weather in mid-2016, which reduced our sales of sunscreen products compared to the previous year. Branded Products accounted for 88% of our sales in the UK market in the year ended December 31, 2016, compared to 86% in the year ended December 31, 2015. Generics accounted for the balance of our sales in the period.

#### Spain

In Spain, sales of Generics decreased by 1% to €105.4 million in the year ended December 31, 2016 from €107.0 million in the year ended December 31, 2015. This slight decrease was primarily due to high sales growth in the previous year due to numerous product launches that continued to perform well in 2016 and the legal approval of discounts in 2016, which led to higher price discounts. Over the same period, Generics accounted for 87% of Spanish sales, compared to 89% in the previous year. Branded Products accounted for the balance of our sales in the period.

#### Belgium

In Belgium, sales of Generics decreased by €4.3 million, or 5%, to €90.7 million in the year ended December 31, 2016, from €95.0 million in the year ended December 31, 2015, particularly due to the hesitant purchasing and sales strategy of our former Belgian distribution partner at the time. However, our sales in Belgium in the second half of 2016 showed a positive trend, with a 66% increase in sales following a 37% decrease in the first half of the year, and we terminated the underlying Omega Distribution Agreement in December 2016 and have now insourced our logistics and sales operations in Belgium. Over the same period, Generics accounted for 89% of sales in Belgium, which represents a slight decrease from 91% in the previous year. Branded Products accounted for the balance of our sales in the period.

#### France

In France, sales of Generics increased by €1.8 million, or 2%, to €81.9 million in the year ended December 31, 2016, compared to €80.1 million in the year ended December 31, 2015. This increase was primarily the result of higher volumes despite the market's strong and continued price-based and discount-based competition. Over the same period, Generics accounted for 96% of our sales in France, which represents an increase from 89% in the previous year. Branded Products accounted for the balance of our sales in the period.

#### Vietnam

In Vietnam, on a constant currency basis, sales of Generics increased by 11% in the year ended December 31, 2016 compared to the previous year. On an actual basis, our sales of Generics in Vietnam increased by 9% to €69.1 million, compared to €63.2 million in the previous period. This increase was primarily due to higher volumes despite greater price pressure due to the positive outcome of certain tenders held by Vietnamese hospitals, partly offset by adverse foreign currency exchange effects due to a weaker Vietnamese dong. Over the same period, Generics accounted for 65% of our sales in Vietnam, a slight decrease from 67% in the previous year. Sales of Branded Products increased by 21% on a constant currency basis in the year ended December 31, 2016 compared to the previous year. On an actual basis, sales increased by 19% to €36.7 million in the year ended December 31, 2016 from €30.8 million in the

previous year, reflecting adverse foreign currency exchange effects from the Vietnamese dong. Branded Products accounted for 35% of overall sales in Vietnam, a slight increase from 33% in the previous year.

### Serbia

Our sales of Generics in Serbia, on a constant currency basis, declined by €16.7 million, or 23%, to €57.0 million in the year ended December 31, 2016, from €73.7 million in the year ended December 31, 2015. On an actual basis, sales declined by €17.9 million, or 24%, to €55.8 million from €73.7 million in the previous year, primarily as a result of declining reimbursement prices, destocking of our wholesale customers who continued to have high inventory levels and a slight depreciation of the Serbian dinar against the euro. Over the same period, Generics accounted for 76% of our sales in Serbia, which represents a slight decrease from 79% in the previous year. Branded Products accounted for the balance of our sales in the period. Overall, the Serbian market continues to experience a general shift from Generics to Branded Products in terms of sales mix.

### *Cost of Sales*

Cost of sales increased by €3.6 million, or 0.3%, to €1,105.3 million in the year ended December 31, 2016, from €1,101.7 million in the year ended December 31, 2015. This increase was in line with the growth in sales. Cost of sales in 2016 included depreciation and amortization of €101.0 million, relatively stable compared to €101.5 million in the year ended December 31, 2015. The cost of sales ratio, which is defined as cost of sales divided by sales, in the year ended December 31, 2016, was 51.7%, compared to 52.1% in the previous year. Our gross margin, which is defined as gross profit divided by sales, improved to 48.3% from 47.9% in the previous year. These results were primarily due to lower price discounts in the German Generics segment as well as continued improvement in our cost of sales ratio.

### *Selling Expenses*

Selling expenses increased by €5.7 million, or 1.2%, to €488.3 million in the year ended December 31, 2016, from €482.6 million in year ended December 31, 2015. This increase was mainly due to higher marketing expenses in the Branded Products segment than in the previous year, particularly in Italy, Germany and Belgium. The ratio of our selling expenses to our sales remained stable compared to the previous year at 22.8%.

### *General and Administrative Expenses*

General and administrative expenses increased by €4.3 million, or 2.4%, to €182.7 million in the year ended December 31, 2016, from €178.4 million in the year ended December 31, 2015. This increase in administrative expenses was primarily due to the impact of business combinations.

### *Research and Development Expenses*

Research and development expenses increased by €0.1 million, or 0.2%, to €65.1 million in the year ended December 31, 2016, from €65.0 million in the year ended December 31, 2015. The ratio of research and development expenses to sales was 3.0% in 2016, compared to 3.1% in 2015.

### *Other Income*

Other income decreased by €0.7 million, or 3.8%, to €19.3 million in the year ended December 31, 2016, from €20.0 million in the year ended December 31, 2015.

### *Other Expenses*

Other expenses increased by €55.2 million, or 66.0%, to €138.9 million in the year ended December 31, 2016, from €83.7 million in the year ended December 31, 2015. This increase was primarily due to increased impairment of intangible assets, the termination of significant parts of the aesthetics business and the Omega Distribution Agreement, the restructuring of our German business, as well as a severance payment to the former chairman of our Executive Board. These effects were partly offset by lower currency translation expenses, in particular in the Russian subgroup comprising STADA CIS and its subsidiaries. In addition, personnel expenses recognized under other expenses were markedly higher than in the previous period, accounting for €24.8 million in the year ended December 31, 2016, compared to €4.4 million in the year ended December 31, 2015. The increase in personnel expenses was due to the restructuring of our

German business, a severance payment to the former chairman of our Executive Board and other severance payments to management personnel.

### ***Financial Result***

Our financial result, which is mainly driven by our financial income and expenses, improved by €15.2 million, or 23.1%, to a net expense of €50.7 million in the year ended December 31, 2016, from a net expense of €65.9 million in the previous year.

This improvement is primarily the result of lower interest expense which decreased to €52.9 million in the year ended December 31, 2016, from €65.6 million in the year ended December 31, 2015. The weighted average interest rate accruing on our financial liabilities in the year ended December 31, 2016, was approximately 1.8% per annum, compared to a weighted average rate of 2.6% per annum in the previous year. The weighted average interest rate accruing on our non-current financial liabilities was approximately 1.7% per annum as of December 31, 2016, which represents a decrease from approximately 2.0% per annum as of December 31, 2015. As for current financial liabilities, our weighted average interest rate was approximately 3.1% per annum as of December 31, 2016, and therefore significantly lower than our average interest rate as of December 31, 2015, of approximately 5.1% per annum.

In addition, the fair value measurement of derivative financial instruments resulted in a net expense of €0.5 million in the year ended December 31, 2016, compared to a net expense of €3.1 million in the previous year.

### ***Income Taxes***

Income taxes decreased by €8.7 million, or 21.4%, to €31.9 million in the year ended December 31, 2016, from €40.6 million in the year ended December 31, 2015. This decrease was primarily due to a tax rate change in the United Kingdom and the continued utilization of tax loss carry-forwards in Germany. Our reported tax rate improved by 70 basis points to 25.1% in the year ended December 31, 2016, from 25.8% in the year ended December 31, 2015. Our adjusted tax rate was 23.9% in 2016, which represents an increase from our adjusted tax rate of 22.0% in the previous year.

### ***Key Earnings Figures***

Overall, our results of operations in the year ended December 31, 2016, were influenced by a relatively high amount of special items, particularly due to reorganization expenses. In July 2016, we adopted certain changes to our corporate structure, as well as corresponding changes to our reporting structures, pursuant to which we decided to move away from regional responsibilities and initiate a transition to centralized management of the two remaining Generics and Branded Products segments. This entailed a series of structural measures, particularly in relation to personnel decisions and the re-evaluation of portfolio activities. As a result, our reported key earnings figures differed substantially from our adjusted key earnings figures in 2016. For a description of the special items underlying the adjustments in the year ended December 31, 2016, see the discussion of “—*Special Items*” below.

### ***Operating Profit, Adjusted Operating Profit***

Reported operating profit decreased by €45.6 million, or 20%, to €178.1 million in the year ended December 31, 2016, from €223.7 million in the year ended December 31, 2015. Adjusted operating profit, which is net of special items, increased by 4% to €294.4 million from €283.8 million. The significantly better performance in terms of adjusted operating profit as compared to reported operating profit is due to significant special items which mainly relate to impairments/write-ups on fixed assets as well as portfolio adjustments and restructuring expenses, which mainly relate to the termination of the Omega Distribution Agreement, the consolidation of our German sales companies through two mergers and the termination of further parts of the aesthetics business. For a description of the special items underlying the adjustments in the year ended December 31, 2015, see the discussion of “—*Special Items*.”

Reported operating profit in the Generics segment increased by €17.5 million, or 10%, to €195.2 million in the year ended December 31, 2016, from €177.7 million in the year ended December 31, 2015. This increase was primarily due to significant sales growth in Germany due to lower rebates. In addition, the sales performance in Italy, Switzerland and Vietnam had a positive effect on our key earnings figures. These effects were partly offset by our performance in Belgium, particularly due to the hesitant purchasing and sales strategy of our former Belgian distribution partner at the time. Adjusted operating profit in the

Generics segment increased by 17% to €214.2 million in 2016 from €182.7 million in the previous year. Adjusted operating profit margin of Generics was 16.7%, compared to 14.5% in the previous year. The reported operating profit margin in our Generics segment was 15.2%, compared to 14.1% in the previous year.

Reported operating profit in the Branded Products segment decreased by €48.6 million, or 37%, to €81.4 million in the year ended December 31, 2016, from €130.0 million in the year ended December 31, 2015. Adjusted operating profit in the Branded Products segment decreased by 12% to €152.8 million from €173.2 million in the previous year. This decrease was primarily due to weaker performance in the Russian market. High inflation in Russia dampened consumer sentiment and consumer purchasing power, which adversely affected our sales. Furthermore, growing consolidation among our customers necessitated conceding higher volume discounts than in the previous period, and the depreciation of the Russian ruble against the euro resulted in significant currency translation losses. In addition, despite the positive sales performance of our British subgroup, Thornton & Ross, the continued weakness of the pound sterling following the UK's Brexit referendum and higher marketing and selling expenses weighed on our results. Furthermore, the significant increase in sales of Branded Products in Germany in 2016 was offset by expenses from portfolio adjustments and restructuring measures. Adjusted operating profit margin in our Branded Products segment was 17.8%, compared to 20.3% in the previous year. The reported operating profit margin in our Branded Products segment was 9.5%, compared to 15.2% in the previous year.

#### *Net Income, Adjusted Net Income*

Reported net income decreased by €24.5 million, or 22%, to €85.9 million in the year ended December 31, 2016, from €110.4 million in the year ended December 31, 2015. Adjusted net income, which is adjusted for special items, increased by €11.5 million, or 7%, to €177.3 million from €165.8 million.

#### *EBITDA and Management Adjusted EBITDA*

EBITDA decreased by €15.6 million, or 4%, to €361.5 million in the year ended December 31, 2016, from €377.1 million in the year ended December 31, 2015. Due to adjustments for special items, Management Adjusted EBITDA increased by 2% to €398.0 million from €389.4 million.

EBITDA in our Generics segment increased by €22.6 million, or 10%, to €255.8 million in the year ended December 31, 2016, from €233.2 million in the year ended December 31, 2015. This increase was due to the aforementioned drivers behind reported operating profit in the Generics segment. The EBITDA margin in Generics was 20.0%, compared to 18.5% in the previous year. Management Adjusted EBITDA in our Generics segment increased by 14% to €264.9 million from €232.0 million in the previous year. This increase was primarily due to the aforementioned drivers of our results in Germany, Italy, Switzerland and Vietnam. The Management Adjusted EBITDA margin in our Generics segment was 20.7%, compared to 18.4% in the previous year.

EBITDA in our Branded Products segment decreased by €25.6 million, or 12%, to €186.2 million in the year December 31, 2016, from €211.8 million in the year ended December 31, 2015. This decrease was due to the aforementioned drivers behind reported operating profit in the Branded Products segment. The EBITDA margin of Branded Products was 21.7%, compared to 24.8% in the previous year. Management Adjusted EBITDA in our Branded Products segment decreased by 9% to €200.7 million from €220.1 million in the previous year. This decrease was due mainly to the aforementioned developments in Russia and the United Kingdom. The decrease in operating performance was more pronounced in terms of reported operating profit than adjusted operating profit, primarily due to significant special items which consisted principally of portfolio adjustments and restructuring measures, as well as foreign exchange translation losses in the CIS subgroup. The Management Adjusted EBITDA margin in our Branded Products segment was 23.4%, compared to 25.8% in the previous year.

#### *Special Items*

After adjusting for special items, earnings before taxes were higher by €116.7 million in the year ended December 31, 2016, compared to our reported results for the year ended December 31, 2016. Earnings before taxes were higher by €63.1 million after giving effect to special items in the year ended December 31, 2015.

The following tables provide an overview of our special items and their impact on certain line items for the years ended December 31, 2016 and 2015:

(€ million)	2016 reported	Impairments / write-ups on fixed assets	Effects from purchase price allocations and product acquisitions <sup>(1)</sup>	Currency effects CIS/ Eastern Europe <sup>(2)</sup>	Measurement of derivative financial instruments	Portfolio adjustments / Restructuring expenses <sup>(3)</sup>	Other <sup>(4)</sup>	2016 adjusted
Operating profit . . . . .	178.1	65.5	11.4	9.1	—	28.2	2.0	294.4
Result from investments measured at equity . . . . .	0.7	—	—	—	—	—	—	0.7
Investment income . . . . .	0.0	—	—	—	—	—	—	0.0
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>178.9</b>	<b>65.5</b>	<b>11.4</b>	<b>9.1</b>	<b>—</b>	<b>28.2</b>	<b>2.0</b>	<b>295.1</b>
Financial income and expenses . . . . .	51.4	—	—	—	(0.5)	—	—	50.9
<b>Earnings before taxes (EBT) . . . . .</b>	<b>127.4</b>	<b>65.5</b>	<b>11.4</b>	<b>9.1</b>	<b>0.5</b>	<b>28.2</b>	<b>2.0</b>	<b>244.2</b>
Income taxes . . . . .	(31.9)	(12.8)	(3.1)	(1.1)	(0.1)	(5.3)	(4.0)	(58.4)
Result distributable to non-controlling shareholders . . . . .	(9.6)	(0.5)	1.6	—	—	—	—	(8.5)
<b>Result distributable to shareholders of STADA Arzneimittel AG (net income) . . . . .</b>	<b>85.9</b>	<b>52.2</b>	<b>9.9</b>	<b>8.0</b>	<b>0.4</b>	<b>22.9</b>	<b>(2.0)</b>	<b>177.3</b>
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>178.9</b>	<b>65.5</b>	<b>11.4</b>	<b>9.1</b>	<b>—</b>	<b>28.2</b>	<b>2.0</b>	<b>295.1</b>
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets . . . . .	182.7	(65.5)	(14.3)	—	—	—	—	102.9
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA/Management Adjusted EBITDA) . . . . .</b>	<b>361.5</b>	<b>—</b>	<b>(2.9)</b>	<b>9.1</b>	<b>—</b>	<b>28.2</b>	<b>2.0</b>	<b>398.0</b>

- (1) In 2013, we completed several acquisitions (including the acquisition of Thornton & Ross in the United Kingdom, as well as our acquisition of control over the Vietnamese companies Pymepharco and STADA Vietnam) which resulted in purchase price allocations as well as measurement effects. Taking as a basis the levels in 2013, this adjustment adds back additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions.
- (2) Relates to transactional foreign exchange losses recorded in the income statement that we recognized due to the fluctuation against the euro of the Russian ruble and other major currencies in the region CIS/ Eastern Europe. As of January 1, 2017, STADA has discontinued this adjustment in its reporting, as it believes the significant fluctuations experienced in more recent periods have returned to a more normal level.
- (3) Relates to miscellaneous extraordinary expenses, among other things, for the restructuring of the German business, the termination of further parts of the aesthetics business, expenses related to the deconsolidation of the Egyptian subsidiary as well as the termination of the Omega Distribution Agreement.
- (4) Relates to miscellaneous extraordinary income and expenses, among other things, from a milestone payment we received in the United Kingdom, tax rate changes in the United Kingdom and a severance payment for the previous chairman of the Executive Board.



(€ million)	2015 reported	Impairments / write-ups on fixed assets	Effects from purchase price allocations and product acquisitions <sup>(1)</sup>	Currency effects CIS/ Eastern Europe <sup>(2)</sup>	Measurement of derivative financial instruments	Other <sup>(3)</sup>	2015 adjusted
Operating profit . . . . .	223.7	33.2	9.5	16.9	—	0.4	283.8
Result from investments measured at equity . . . . .	1.4	—	—	—	—	—	1.4
Investment income . . . . .	0.1	—	—	—	—	—	0.1
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>225.3</b>	<b>33.2</b>	<b>9.5</b>	<b>16.9</b>	<b>—</b>	<b>0.4</b>	<b>285.3</b>
Financial income and expenses . . . . .	67.5	—	—	—	(3.1)	—	64.4
<b>Earnings before taxes (EBT) . . . . .</b>	<b>157.8</b>	<b>33.2</b>	<b>9.5</b>	<b>16.9</b>	<b>3.1</b>	<b>0.4</b>	<b>220.9</b>
Income taxes . . . . .	(40.6)	(3.8)	0.6	—	(0.2)	(4.6)	(48.6)
Result distributable to non-controlling shareholders . . . . .	(6.8)	(0.3)	0.5	—	—	0.1	(6.5)
<b>Result distributable to shareholders of STADA Arzneimittel AG (net income)</b>	<b>110.4</b>	<b>29.1</b>	<b>10.6</b>	<b>16.9</b>	<b>2.9</b>	<b>(4.1)</b>	<b>165.8</b>
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>225.3</b>	<b>33.2</b>	<b>9.5</b>	<b>16.9</b>	<b>—</b>	<b>0.4</b>	<b>285.3</b>
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets . . . . .	151.8	(33.2)	(14.5)	—	—	—	104.1
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA/Management Adjusted EBITDA) . . . . .</b>	<b>377.1</b>	<b>—</b>	<b>(5.0)</b>	<b>16.9</b>	<b>—</b>	<b>0.4</b>	<b>389.4</b>

- (1) In 2013, we completed several acquisitions (including the acquisition of Thornton & Ross in the United Kingdom, as well as our acquisition of control over the Vietnamese companies Pymepharco and STADA Vietnam) which resulted in purchase price allocations as well as measurement effects. Taking as a basis the levels in 2013, this adjustment adds back additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions.
- (2) Relates to transactional foreign exchange losses recorded in the income statement resulting from the fluctuation of the Russian ruble and other significant currencies in the market region CIS/Eastern Europe during the periods presented. As of January 1, 2017, STADA has discontinued this adjustment in its reporting, as it believes the significant fluctuations experienced in more recent periods have returned to a more normal level.
- (3) Relates to miscellaneous extraordinary income and expenses, among other things, from damage claim payments made and received a change in the tax rate in the United Kingdom, a gain on disposal of a French Branded Products company and in connection with the disposal of the German logistics activities.

The impact of special items on earnings before taxes in the year ended December 31, 2016, included adjustments of (i) €65.5 million in impairments/write-ups on fixed assets, (ii) €11.4 million in effects from purchase price allocations and product acquisitions, primarily due to additional scheduled depreciation and other measurement effects due to purchase price allocations, as well as significant product acquisitions compared to the levels in the year ended December 31, 2013, (iii) €9.1 million in currency effects CIS/Eastern Europe, mainly representing transactional currency effects resulting from the fluctuation of the Russian ruble, as well as other major currencies in the region CIS/Eastern Europe, (iv) €0.5 million from the measurement of derivative financial instruments, (v) €28.2 million in portfolio adjustments/restructuring expenses, which represents miscellaneous extraordinary expenses, including due to the restructuring of the German business, the discontinuation of further parts of the aesthetics business, expenses related to the deconsolidation of our Egyptian subsidiary as well as the termination of the Omega Distribution Agreement and (vi) €2.0 million in other special items, mainly including a milestone payment we received in the United Kingdom, tax rate changes in the United Kingdom and a severance payment for the previous chairman of the Executive Board.

## Year Ended December 31, 2015 Compared with Year Ended December 31, 2014

The following table provides an overview of our results of operations for the years ended December 31, 2015 and 2014:

(€ million)	Year ended December 31,		Change in %
	2015	2014	
Sales . . . . .	2,115.1	2,062.2	3%
Cost of sales . . . . .	(1,101.7)	(1,070.4)	3%
<b>Gross Profit . . . . .</b>	<b>1,013.4</b>	<b>991.8</b>	<b>2%</b>
Selling expenses . . . . .	(482.6)	(458.4)	5%
General and administrative expenses . . . . .	(178.4)	(152.8)	17%
Research and development expenses . . . . .	(65.0)	(56.9)	14%
Other income . . . . .	20.0	20.1	0%
Other expenses . . . . .	(83.7)	(155.2)	(46)%
<b>Operating profit . . . . .</b>	<b>223.7</b>	<b>188.5</b>	<b>19%</b>
Results from investments measured at equity . . . . .	1.4	1.6	(11)%
Investment income . . . . .	0.1	0.1	5%
Financial income . . . . .	1.2	4.8	(76)%
Financial expenses . . . . .	(68.7)	(70.4)	(2)%
<b>Financial result . . . . .</b>	<b>(65.9)</b>	<b>(63.8)</b>	<b>3%</b>
<b>Earnings before taxes . . . . .</b>	<b>157.8</b>	<b>124.7</b>	<b>27%</b>
Income taxes . . . . .	(40.6)	(54.6)	(26)%
<b>Earnings after taxes . . . . .</b>	<b>117.2</b>	<b>70.1</b>	<b>67%</b>
<i>thereof: distributable to shareholders of the Target (net income) . . .</i>	110.4	64.6	71%
<i>thereof: distributable to non-controlling shareholders . . . . .</i>	6.8	5.5	22%

### Sales and Adjusted Sales

#### Consolidated Sales

Sales increased by €52.9 million, or 3%, to €2,115.1 million in the year ended December 31, 2015, from €2,062.2 million in the year ended December 31, 2014. Over the same period, adjusted sales increased by €81.6 million, or 4%, to €2,133.8 million from €2,052.2 million. Our adjustment to sales accounts for currency effects and portfolio changes. The following table provides a reconciliation of adjusted sales to reported sales for the year ended December 31, 2015, as well as comparative information for the previous year:

(€ million)	Year ended December 31,		Change in %
	2015	2014	
<b>Reported sales . . . . .</b>	<b>2,115.1</b>	<b>2,062.2</b>	<b>3%</b>
<i>thereof: Generics<sup>(1)</sup> . . . . .</i>	1,261.4	1,261.7	0%
<i>thereof: Branded Products . . . . .</i>	853.6	800.5	7%
<b>Currency effects<sup>(2)</sup> . . . . .</b>	<b>64.6</b>	<b>—</b>	<b>—</b>
<i>thereof: Generics<sup>(1)</sup> . . . . .</i>	13.2	—	—
<i>thereof: Branded Products . . . . .</i>	51.5	—	—
<b>Portfolio changes<sup>(3)</sup> . . . . .</b>	<b>(45.9)</b>	<b>(10.0)</b>	<b>—</b>
<i>thereof: Generics<sup>(1)</sup> . . . . .</i>	(6.6)	(6.3)	—
<i>thereof: Branded Products . . . . .</i>	(39.3)	(3.7)	—
<b>Adjusted sales . . . . .</b>	<b>2,133.8</b>	<b>2,052.2</b>	<b>4%</b>
<i>thereof: Generics<sup>(1)</sup> . . . . .</i>	1,268.0	1,255.4	1%
<i>thereof: Branded Products . . . . .</i>	865.8	796.8	9%

(1) For all periods presented, sales of our Generics segment includes sales of our former Commercial Business segment. See “Our Reporting Segments—Operating Segments.”

(2) The adjustment in respect of currency effects removes the distorting impact of exchange rate movements that affect the comparability of sales for the periods presented. In calculating this adjustment we translate our non-euro denominated sales in each period at the same foreign exchange rates as in the comparative period.

- (3) The adjustment in respect of portfolio changes is a like-for-like adjustment that excludes the effect of investments in and divestments of companies and products. In calculating this adjustment, we only take into account the organic sales generated by products that were sold in both periods that are being compared.

The adjustment in respect of currency effects increased sales in the year ended December 31, 2015, by €64.6 million. This adjustment primarily reflects the depreciation of two of our three most important currencies against the euro, our reporting currency. Whereas the British pound sterling strengthened against the euro and thereby drove sales in the reporting period, the Russian ruble was significantly weaker and the Serbian dinar was slightly weaker than in the previous year. Furthermore, the Ukrainian hryvnia depreciated against the euro, while the value of the Vietnamese dong and the Swiss franc increased significantly. Foreign exchange translation effects in relation to other currencies only had a minor impact on our sales.

The adjustment in respect of portfolio changes decreased sales in the year ended December 31, 2015 by €45.9 million and in the previous year by €10.1 million, which included retrospective adjustments. Broken down by region, the market region Central Europe accounted for a negative portfolio adjustment of €38.8 million, the market region CIS/Eastern Europe accounted for a positive portfolio adjustment of €5.5 million and the market region Asia/Pacific & MENA accounted for a negative portfolio adjustment of €2.5 million.

#### *Constant-Currency Sales*

Constant-currency sales increased by €96.7 million, or 5%, to €2,049.5 million in the year ended December 31, 2015, from €1,952.9 million in the year ended December 31, 2014.

#### *Sales by Operating Segment*

In the year ended December 31, 2015, we reported the results of our operations in three reporting segments including Generics, Branded Products and Commercial Business. The Commercial Business segment comprised the purchase and subsequent sale of third party products and was integrated into our Generics segment in 2016. Our consolidated sales increased by €52.9 million, or 3%, to €2,115.1 million in the year ended December 31, 2015, from €2,062.2 million in the year ended December 31, 2014. Adjusted for portfolio effects and foreign currency effects, sales increased by €81.6 million, or 4%, to €2,133.8 million from €2,052.2 million in the previous year. Sales in our two main segments, Generics and Branded Products, increased by €52.8 million, or 3%, to €2,071.1 million in 2015, compared to €2,018.3 million in 2014. Adjusted for portfolio effects and foreign currency effects, sales of these two segments increased by €86.3 million, or 4%, compared to the previous year. In terms of their contribution to consolidated sales, the Generics and Branded Products segments remained constant compared to the previous year's level and together accounted for 97.9% of sales. The contribution of our Commercial Business segment to sales in 2015 also remained constant compared to the previous year, at 2.1% of consolidated sales.

#### Generics

Reported sales in our Generics segment accounted for €1,217.5 million in the year ended December 31, 2015, and remained relatively constant compared to €1,217.7 million in the year ended December 31, 2014. This development resulted from higher sales of our German subsidiary ALIUD PHARMA GmbH and a significant sales increase in our British, Spanish, French, Dutch and Vietnamese subsidiaries. Sales of Generics in Russia, which is included in the market region CIS/Eastern Europe, and in Belgium, which is included in the market region Central Europe, were weaker than in the previous year. Over the same period, adjusted sales in the Generics segment increased by €17.3 million, or 1.4%, to €1,228.7 million from €1,211.4 million. Generics accounted for 57.6% of consolidated sales in the year ended December 31, 2015, which represents a slight decrease from 59.1% in the previous year. Our top five active pharmaceutical ingredients accounted for sales of €117.9 million in the year ended December 31, 2015, or 9.7% of total sales in the Generics segment, compared to €119.1 million, or 9.8%, in the year ended December 31, 2014. With sales of €32.0 million, an increase of €8.2 million from €23.8 million in the previous year, Tilidine Naloxone was the best-selling active pharmaceutical ingredient in the Generics segment in 2015.

## Branded Products

Reported sales in our Branded Products segment increased by €53.1 million, or 7%, to €853.6 million in the year ended December 31, 2015, compared to €800.5 million in the year ended December 31, 2014. This increase was primarily driven by strong sales performance in the United Kingdom, Italy and Vietnam, and partly offset by lower sales in Russia. Over the same period, adjusted sales in the Branded Products segment increased by €69.0 million, or 9%, to €865.8 million from €796.8 million, with the majority of the adjustment being driven by currency effects. Branded Products accounted for 40.3% of consolidated sales in 2015, which represents an increase compared to 38.8% in 2014. Our top five Branded Products accounted for sales of €199.7 million in the year ended December 31, 2015, or 23.4% of sales in the Branded Products segment, compared to €184.4 million, or 23.0%, in the year ended December 31, 2014. With sales of €62.9 million, compared to €51.3 million in the previous year, the Parkinson's medicine APO-Go was the best-selling product both within the Branded Products segment and overall.

## Sales by Geographic Area

In fiscal years 2014 and 2015, we reported our results of operations on the basis of four market regions, including Germany, Central Europe, CIS/Eastern Europe and Asia/Pacific & MENA which are discussed in more detail in the narrative descriptions below. However, in keeping with the presentation above in relation to subsequent periods, the following tables show our sales by reporting segment and country for the years ended December 31, 2015 and 2014:

Generics—Eight Largest Markets (€ million)	Year ended December 31,		Change in %
	2015	2014	
Germany . . . . .	308.3	266.4	16%
Italy . . . . .	149.0	150.5	(1)%
Spain . . . . .	107.0	101.0	6%
Russia . . . . .	83.6	118.0	(29)%
Belgium . . . . .	95.0	141.6	(33)%
France . . . . .	80.1	75.5	6%
Vietnam . . . . .	63.2	49.0	29%
Serbia . . . . .	73.7	76.8	(4)%
Other . . . . .	301.5	282.9	7%
<b>Total Generics segment . . . . .</b>	<b>1,261.4</b>	<b>1,261.7</b>	<b>0%</b>

Branded Products—Five Largest Markets (€ million)	Year ended December 31,		Change in %
	2015	2014	
Germany . . . . .	128.3	128.8	0%
United Kingdom . . . . .	168.0	118.2	42%
Russia . . . . .	212.2	242.7	(13)%
Italy . . . . .	40.4	30.8	31%
Vietnam . . . . .	30.8	24.7	25%
Other . . . . .	273.9	255.3	7%
<b>Total Branded Products segment . . . . .</b>	<b>853.6</b>	<b>800.5</b>	<b>7%</b>

## Market Region Germany

Sales in the market region Germany increased by €12.3 million, or 3%, to €459.6 million in the year ended December 31, 2015, from €447.3 million in the year ended December 31, 2014. This increase was due to higher sales in the Generics segment, partly offset by slightly lower sales in the Branded Products segment. Furthermore, this increase in sales was achieved despite the MENA Reorganization (as defined below) pursuant to which substantial parts of our business activities in the MENA region had been reassigned from the market region Germany to the new market region Asia/Pacific & MENA. Based on the previous regional segmentation (i.e., including business activities in the MENA region within the market region Germany), sales in the market region Germany increased by 7% to €480.5 million from €447.3 million in the previous year. As a percentage of consolidated sales, the market region Germany remained constant in 2015 at 21.7% of sales. Adjusted sales in this market region were 3% higher than in the previous year.

Sales generated in Germany, i.e. sales excluding export sales of the market region Germany and excluding sales of other market regions in Germany, increased by 10% to €428.9 million in 2015 from €389.3 million in the previous year. Sales of Generics in the German market increased by €41.0 million, or 15%, to €306.3 million in the year ended December 31, 2015, compared to €265.3 million in the year ended December 31, 2014. Generics accounted for 71% of sales in the German market in 2015, compared to 68% in the previous year. Sales in our Branded Products segment decreased slightly by €1.3 million, or 1%, to €122.7 million in 2015, compared to €124.0 million in the previous year. Branded Products account for 29% of sales in Germany, compared to 32% in the previous year. The cold medicine Grippostad accounted for sales in Germany of €43.1 million in 2015, compared to €33.9 million in the previous year, and had a market share of approximately 30% in the German market for flu drugs (based on data provided by Quintiles IMS and excluding anti-infective agents); our sunscreen portfolio under the Ladival brand, which in Germany accounted for sales of €28.6 million in 2015, compared to €27.3 million in the previous year (in each case, based on data provided by Quintiles IMS), had a market share of approximately 33% in Germany (based on data provided by Quintiles IMS) in 2015 and remains the market leader in the German pharmacy market for sunscreens.

### Market Region CIS/Eastern Europe

In the market region CIS/Eastern Europe, on a constant currency basis, sales increased by 11% in the year ended December 31, 2015 compared to the previous year. On an actual basis, sales in this market region decreased by €54.6 million, or 10%, to €509.9 million in the year ended December 31, 2015, from €564.5 million in the year ended December 31, 2014. This decrease was mainly the result of adverse foreign currency exchange effects. Sales in this market region accounted for 24.1% of consolidated sales in 2015, which represents a slight decrease from 27.4% in the previous year. Out of the total sales in the market region CIS/Eastern Europe, €9.6 million was attributable to export sales in 2015, compared to €9.5 million in the previous year. Adjusted sales in this market region increased by 12% year-over-year.

Our sales in Russia and Serbia, the two largest market by sales in this market region, are discussed below.

### Russia

Sales in the Russian Federation decreased by €64.9 million, or 18%, to €295.8 million in the year ended December 31, 2015, from €360.7 million in the year ended December 31, 2014, primarily due to the significant depreciation of the Russian ruble against the euro. On a constant currency basis, sales increased by 7% in the year ended December 31, 2015 compared to the previous year. We experienced significant fluctuations in our sales performance during the year 2015. In the first quarter of 2015, sales in ruble declined by 21%, followed by increases of 18% and 60% in the second and third quarter, respectively, and a decrease of 15% in the fourth quarter. We believe that our overall sales performance reflects a sustained decrease in demand from Russian end-consumers, which account for approximately 94% of our sales in Russia. Due to high seasonal orders that served to strengthen and further expand our strategic competitive position in our distribution channels, we were able to slightly increase our market share in the Russian market. Sales generated pursuant to the government program for the reimbursement of selected medicines for individual population groups (DLO Program (as defined below)), which accounted for approximately 5% of our sales in Russia, exceeded the level in the previous year on a constant currency basis. Moreover, on a constant currency basis, our sales in the Russian self-pay market increased in the high single-digit percentage range, primarily due to strong performance of our Branded Products segment. We estimate that approximately 1% of sales in Russia was due to other public sector clients, particularly via tenders. Sales of Generics in the Russian market decreased by 29% to €83.6 million from €118.0 million in the previous year. Generics accounted for 28% of our sales in Russia, which represents a slight decrease from 33% in the previous year. Sales of Branded Products in Russia declined by 13% to €212.2 million, compared to €242.7 million in the previous year. Branded Products accounted for 72% of our sales in the Russian market in 2015, compared to 67% in the previous year.

### Serbia

Our sales on a constant currency basis in Serbia increased by €3.2 million or 3%, to €96.7 million in the year ended December 31, 2015, from €93.5 million in the previous year. On an actual basis, sales increased slightly by €0.3 million, or 0.3%, to €93.7 million from €93.4 million in the previous year, due to adverse foreign currency exchange movements in the Serbian dinar, partly offset by higher sales in the Branded Products segment. The Serbian market continued to experience a shift from Generics to Branded Products in 2015. Sales of Generics in Serbia decreased by €3.2 million, or 4%, to €73.7 million from €76.8 million in



the previous year. This decrease was mainly due to lower reimbursement rates which became effective as of January 1, 2015. Over the same period, Generics accounted for 79% of our sales in Serbia, compared to 82% in the previous year. Sales of Branded Products in Serbia increased by €3.3 million, or 20%, to €19.9 million from €16.6 million in the previous year. Over the same period, Branded Products accounted for 21% of our sales in Serbia, which represents an increase from 18% in the previous year.

#### Market Region Central Europe

In the market region Central Europe, sales increased by €43.1 million, or 5%, to €999.4 million in the year ended December 31, 2015, from €956.3 million in the year ended December 31, 2014. This development was primarily due to higher sales in the United Kingdom, Spain and Italy. Sales generated in this market region accounted for 47.3% of consolidated sales in 2015, compared to 46.4% in the previous year. Out of the total sales in the market region Central Europe, €46.0 million was attributable to export sales in 2015, compared to €38.5 million in the previous year. Adjusted sales in this market region decreased by 3% compared to the previous year.

Our sales in the United Kingdom, Italy, Spain, Belgium and France, the five largest markets by sales in this market region in 2015, are discussed below.

#### United Kingdom

Sales in the United Kingdom increased by €59.7 million, or 44%, to €194.9 million in the year ended December 31, 2015, from €135.2 million in the year ended December 31, 2014. This increase was due to our acquisitions of the British company Internis Pharmaceuticals Ltd. in the fourth quarter of 2014, the production and distribution rights for the Branded Product portfolio Flexitol in the second quarter of 2014, as well as the launch of our Branded Product Ladival in January 2015 and favorable foreign currency exchange effects due to the appreciation of the British pound sterling against the euro. On a constant currency basis, sales increased by 31% in the year ended December 31, 2015 compared to the previous year. Adjusted sales in the United Kingdom increased by 14% in 2015 compared to the previous year. Over the same period, sales of Branded Products in the United Kingdom increased by 42% to €168.0 million from €118.2 million. Branded Products accounted for 86% of sales in the United Kingdom, compared to 87% in the previous year. In the United Kingdom, we are a specialized provider of selected generics with only a small portfolio of active pharmaceutical ingredients. In spite of strong competition, our Generics sales increased by €9.9 million, or 59%, to €26.9 million in the year ended December 31, 2015, from €17.0 million in the year ended December 31, 2014. Generics accounted for 14% of sales in the United Kingdom, which represents a slight increase from 13% in the previous year.

#### Italy

Sales in Italy increased by €8.0 million, or 4%, to €189.2 million in the year ended December 31, 2015, from €181.2 million in the year ended December 31, 2014. Sales of Generics in Italy decreased slightly by 1% to €149.0 million from €150.5 million in the previous year. Over the same period, Generics accounted for 79% of Italian sales, which represents a decrease from 83% in the previous year. Sales of Branded Products in Italy increased by 31% to €40.2 million from €30.7 million in the previous year. This increase was primarily due to the impact of acquisitions. Branded Products accounted for 21% of our sales in Italy, which represents an increase compared to 17% in the previous year.

#### Spain

Sales in Spain increased by €7.4 million, or 7%, to €120.4 million in the year ended December 31, 2015, from €113.0 million in the year ended December 31, 2014. This increase was mainly due to a new cooperation with an important Spanish wholesaler, as well as due to product launches of top-selling pharmaceutical ingredients despite strong price-based competition in the country. Our sales of Generics in Spain increased by €5.9 million, or 6% to €107.0 million from €101.1 million in the previous year. Over the same period, Generics accounted for 89% of sales in this market, remaining unchanged compared to the previous year. Sales of Branded Products in Spain increased by €1.4 million, or 12% to €13.4 million from €12.0 million in the previous year. Branded Products accounted for 11% of our sales in Spain, remaining unchanged compared to the previous year.

## Belgium

In Belgium, sales decreased by €46.3 million, or 31% to €103.9 million in the year ended December 31, 2015, from €150.2 million in the year ended December 31, 2014. Our sales of Generics decreased by 33% to €95.0 million from €141.6 million in the previous year, mostly due to both lower volumes and lower prices. Our pricing was impacted by scheduled price reductions for a large part of the Generics portfolio that took effect as of March 1, 2015, as well as discounts we granted to our customers. We believe the year ended December 31, 2015 was marked by a stark contrast between lower sales in our Belgian operations on the one hand and strong consumer demand on the other hand. We believe our sales performance was temporarily adversely affected by lower purchases from wholesale customers who changed their working capital management and reduced their inventories, as well as the uncertainty associated with the then-pending takeover of Perrigo by Mylan in the second half of 2015. By contrast, both consumer sales and our market share in Belgium remained stable. Over the same period, Generics accounted for 91% of our sales in Belgium, compared to 94% in the previous year. Sales of Branded Products increased by 4% to €8.9 million, compared to €8.6 million in the previous year. Branded Products accounted for 9% of our overall sales in Belgium, which represents an increase from 6% in the previous year.

## France

Sales in France decreased by €5.2 million, or 5%, to €90.2 million in the year ended December 31, 2015, from €95.4 million in the year ended December 31, 2014. Sales of Generics in France increased by €4.7 million, or 6% to €80.2 million from €75.5 million in the previous year. This increase was mainly due to higher volumes despite price-based competition which entailed high discounts and reductions in reimbursement rates. Over the same period, generics accounted for 89% of our sales in France, compared to 79% in the previous year. Sales of Branded Products in France decreased by 50% to €10.0 million, compared to €19.9 million in the previous year, which was mainly due to the reevaluation of our portfolio carried out at the end of 2014. Branded Products accounted for 11% of sales in France, compared to 21% in the previous year.

## Market Region Asia/Pacific & MENA

With effect as of the 2015 fiscal year, the market region formerly referred to as Asia & Pacific was expanded by adding substantial parts of our business activities in the MENA region and was renamed Asia/Pacific & MENA (the “MENA Reorganization”). The MENA Reorganization was part of a broader effort to centralize our operations in these geographies. Previously, most of our operations in MENA had been allocated to the market region Germany.

On an actual basis, sales in the market region Asia/Pacific & MENA increased by €52.1 million, or 55%, to €146.2 million in the year ended December 31, 2015, from €94.1 million in the year ended December 31, 2014. When excluding the newly included MENA operations, sales in the region increased by €31.3 million, or 33%, to €125.4 million, compared to €94.1 million in the previous year. This increase was primarily due to improved sales performance in Vietnam and China where we won several new contracts in tenders, despite higher price pressure. The market region Asia/Pacific & MENA account for 6.9% of consolidated sales in 2015, compared to 4.5% in the previous year. Adjusted sales in this market region increased by 32%.

## ***Cost of Sales***

Cost of sales increased by €31.3 million, or 2.9%, to €1,101.7 million in the year ended December 31, 2015, from €1,070.4 million in the year ended December 31, 2014. Gross profit, which we define as sales net of cost of sales, was €1,013.4 million in 2015, compared to €991.8 million in 2014. Cost of sales included depreciation and amortization of €101.5 million in 2015, compared to €100.8 million in the previous year. The cost of sales ratio, which is defined as cost of sales divided by sales, in the year ended December 31, 2015, was 52.1%, compared to 51.9% in the previous year. Our gross margin, which is defined as gross profit divided by sales, decreased to 47.9% in 2015, compared to 48.1% in the previous year. This decrease was primarily the result of the ongoing currency and political crisis in CIS/Eastern Europe that began in Russia and the Ukraine in 2014.

## ***Selling Expenses***

Selling expenses increased by €24.2 million, or 5.3%, to €482.6 million in the year ended December 31, 2015, from €458.4 million in the year ended December 31, 2014. This increase was mainly the result of

higher marketing expenses in our British and Italian markets. The ratio of our selling expenses to our sales likewise increased to 22.8% in 2015, compared to 22.2% in 2014.

#### ***General and Administrative Expenses***

General and administrative expenses increased by €25.6 million, or 16.7%, to €178.4 million in the year ended December 31, 2015, from €152.8 million in the year ended December 31, 2014. Expressed as a percentage of sales, these expenses accounted for 8.4% of sales in 2015, which represents an increase compared to 7.4% in 2014. This increase was mainly due to earnings recorded within personnel expenses from past service cost in the amount of €15.9 million in the previous year in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with respect to the benefits awarded in accordance with the former benefit plan.

#### ***Research and Development Expenses***

Research and development expenses increased by €8.1 million, or 14.2%, to €65.0 million in the year ended December 31, 2015, from €56.9 million in the year ended December 31, 2014. The sales-related ratio of research and development expenses was 3.1% in 2015, compared to 2.8% in 2014. Our reported development costs include development costs that may not be capitalized and have to be expensed as incurred. The amount of capitalized development costs for new products decreased to €26.1 million in 2015, compared to €27.5 million in the previous year. This implies that we capitalized 28.6% of all development in 2015, compared to 32.6% in 2014. Amortization of capitalized development costs was approximately €8 million in 2015, compared to approximately €6 million in 2014.

#### ***Other Income***

Other income decreased by €0.1 million, or 0.2%, to €20.0 million in the year ended December 31, 2015, from €20.1 million in the year ended December 31, 2014.

#### ***Other Expenses***

Other expenses decreased by €71.5 million, or 46.1%, to €83.7 million in the year ended December 31, 2015, from €155.2 million in the year ended December 31, 2014. This decrease was mainly the result of lower impairment of other intangible assets. In addition, we recognized significant impairment charges against goodwill associated with our operations in the market regions CIS/Eastern Europe and Asia/Pacific & MENA in 2014 which did not recur in 2015. The remaining other expenses include personnel expenses in the amount of €4.4 million in 2015, compared to €5.8 million in the previous year.

#### ***Financial Result***

Our financial result, which is mainly driven by our financial income and expenses, decreased by €2.1 million, or 3.3%, to a net expense of €65.9 million in the year ended December 31, 2015, from a net expense of €63.8 million in the year ended December 31, 2014.

This decrease is mainly the result of lower interest expense which decreased to €65.6 million in the year ended December 31, 2015, from €70.4 million in the year ended December 31, 2014. The weighted average interest rate accruing on our financial liabilities as of December 31, 2015, was approximately 2.6% per annum, compared to a weighted average rate of 3.7% per annum in the previous year. The weighted average interest rate accruing on our non-current financial liabilities was approximately 2.0% per annum as of December 31, 2015, down from approximately 3.3% per annum as of December 31, 2014. As for current financial liabilities, our weighted average interest rate was approximately 5.1% per annum as of December 31, 2015, and therefore higher than our rate as of December 31, 2014 of approximately 4.6% per annum.

In addition, the fair value measurement of derivative financial instruments resulted in a net expense of €3.1 million in the year ended December 31, 2015, compared to a net gain of €3.6 million in the previous year.

#### ***Income Taxes***

Income taxes decreased by €14.0 million, or 25.6%, to €40.6 million in the year ended December 31, 2015, from €54.6 million in the year ended December 31, 2014. This decrease was primarily due to a tax rate change in the United Kingdom, as well as a revised profit allocation within the Target Group. Our reported

tax rate improved by 18 percentage points to 25.8% in the year ended December 31, 2015, from 43.8% in the year ended December 31, 2014. The significant decrease was primarily a result of goodwill impairment associated with our operations in the market regions CIS/Eastern Europe and Asia/Pacific & MENA, which occurred only in the previous period and was not deductible for tax purposes, as well as a tax rate reduction in the United Kingdom. Our adjusted tax rate, which measures our performance based on adjustments for special items, was 22.0% in 2015, down from our adjusted tax rate of 24.2% in the previous year.

### ***Key Earnings Figures***

Overall, our results of operations in the year ended December 31, 2015, were primarily driven by the following factors: In the market region Asia/Pacific & MENA, our sales increased in excess of 10% year-over-year. Sales also increased in the Central Europe and Germany market regions. Despite difficult economic conditions, on a constant currency basis, sales also increased in the CIS/Eastern Europe market region. A significant part of our special items in 2015, which accounted for €16.9 million both before and after taxes, related to currency translation expenses due to the weak Russian ruble, the strong depreciation of the Ukrainian hryvnia and a very weak Kazakhstani tenge. For a description of the special items underlying the adjustments in the year ended December 31, 2015, see the discussion of “—*Special Items*” below.

### ***Operating Profit, Adjusted Operating Profit***

Reported operating profit increased by €35.2 million, or 19%, to €223.7 million in the year ended December 31, 2015, from €188.5 million in the year ended December 31, 2014. Adjusted operating profit decreased by 12% to €283.8 million in 2015, compared to €320.7 million in the previous year. The significantly better performance in terms of reported operating profit as compared to adjusted operating profit is due to significant special items in the previous year which mainly related to impairment of further intangible assets following impairment tests including the market region CIS/Eastern Europe, as well as impairments on goodwill within the market regions CIS/Eastern Europe and Asia/Pacific & MENA.

Reported operating profit in the Generics segment increased by €70.2 million, or 65%, to €178.5 million in the year ended December 31, 2015, from €108.3 million in the year ended December 31, 2014. This increase was primarily due to significantly higher operating profits of our German company ALIUD PHARMA, the Spanish subsidiary Laboratorio STADA and our British subsidiaries. In addition, our operating profit in 2014 was affected by high goodwill impairment charges due to the crisis in the market region CIS/Eastern Europe. The performance of our operations in Belgium and France, by contrast, decreased compared to the previous year. In Belgium, regulatory changes resulted in lower unit prices for our operations. In France, volumes increased but prices were lower compared to the previous period, as the ceiling on discounts was increased. Due to the higher volumes, functional expenses increased and reduced operating profit. The reported operating profit margin of Generics was 14.7% in 2015, compared to 8.9% in the previous year. Adjusted operating profit in the Generics segment increased by 4% in 2015 to €183.6 million, compared to €176.9 million in the previous year. The weaker performance in terms of adjusted line items compared to the reported line items was due to a higher base of adjustments in the previous year, which mainly related to goodwill impairment in the market region CIS/Eastern Europe, as well as to currency translation losses associated with the CIS subgroup. Adjusted operating profit margin of Generics was 15.1% in 2015, compared to 14.5% in the previous year.

Reported operating profit in the Branded Products segment decreased by €8.2 million, or 6%, to €130.0 million in the year ended December 31, 2015, from €138.2 million in the year ended December 31, 2014. This decrease was primarily due to declining operating segment profit in the market region CIS/Eastern Europe due to the weak Russian ruble. In contrast, operating profit of the British and Italian subsidiaries increased markedly and also improved in the market region Asia/Pacific & MENA. Our reported operating profit margin in the Branded Products segment was 15.2% in 2015, compared to 17.3% in the previous year. Adjusted operating profit in the Branded Products segment decreased by 10% to €173.2 million in 2015, compared to €192.9 million in the previous year. The weaker performance in terms of adjusted line items compared to the reported line items was due to a higher base of adjustments in the previous year, which mainly related to impairment on additional intangible assets after impairment tests and currency translation losses associated with the CIS subgroup. Adjusted operating profit margin of Branded Products was 20.3% in 2015, compared to 24.4% in the previous year.

Reported operating profit in the Commercial Business segment decreased to a net loss of €0.9 million in the year ended December 31, 2015, compared to a net profit of €0.9 million in the year ended December 31, 2014.

#### *Net Income, Adjusted Net Income*

Reported net income increased by €45.8 million, or 71%, to €110.4 million in the year ended December 31, 2015, from €64.6 million in the previous year. Adjusted net income, which is adjusted for special items, declined by €20.4 million, or 11%, to €165.8 million, compared to €186.2 million in the year ended December 31, 2014.

#### *EBITDA and Management Adjusted EBITDA*

EBITDA decreased by €41.7 million, or 10%, to €377.1 million in the year ended December 31, 2015, from €418.8 million in the year ended December 31, 2014. Management Adjusted EBITDA decreased by €42.5 million, or 10%, to €389.4 million in the year ended December 31, 2015 from €431.9 million in the year ended December 31, 2014.

EBITDA in our Generics segment increased by €10.7 million, or 5%, to €233.9 million in 2015, from €223.1 million in the previous year. This increase was due to the aforementioned drivers of reported operating profit in the Generics segment. The EBITDA margin in Generics was 19.2%, compared to 18.3% in the previous year. The Management Adjusted EBITDA in our Generics segment increased by 2% to €232.8 million, compared to €228.7 million in the year ended December 31, 2014. This increase was primarily due to the aforementioned drivers of our adjusted operating profit in the German, Spanish and UK markets. The Management Adjusted EBITDA margin in our Generics segment was 19.1%, compared to 18.8% in the year ended December 31, 2014.

EBITDA in our Branded Products segment decreased by €19.8 million, or 9%, to €211.8 million, from €231.5 million in the previous year. This decrease was due to the aforementioned drivers of reported operating profit in the Branded Products segment. The EBITDA margin of Branded Products was 24.8%, compared to 28.9% in the previous year, with such decrease being driven by higher marketing and selling expenses as well as higher bad debt provisions with the biggest allowance created for receivables from the Russian retailer ROSTA. The Management Adjusted EBITDA in our Branded Products segment decreased by 8% to €220.1 million, compared to €240.0 million in the previous year. This decrease was mainly due to the aforementioned drivers of adjusted operating profit. The Management Adjusted EBITDA margin in our Branded Products segment was 25.8% in 2015, compared to 30.3% in the year ended December 31, 2014. The decrease in Management Adjusted EBITDA margin in our Branded Products segment was driven by a combination of a decline in the performance in the market region CIS/Eastern Europe primarily due to a weakening of purchasing power on the back of Russian ruble depreciation and an increase in selling, general and administrative expenses to support the development of the Branded Products portfolio in key geographies.

#### *Special Items*

After adjusting for special items, earnings before taxes were higher by €63.1 million in the year ended December 31, 2015, compared to our reported results for the year ended December 31, 2015. By comparison, earnings before taxes were higher by €128.6 million after giving effect to special items in the year ended December 31, 2014.



The following tables provide an overview of our special items and their impact on certain line items for the years ended December 31, 2015 and 2014:

(€ million)	2015 reported	Impairments / write-ups on fixed assets	Effects from purchase price allocations and product acquisitions <sup>(1)</sup>	Currency effects CIS/ Eastern Europe <sup>(2)</sup>	Measurement of derivative financial instruments	Other <sup>(3)</sup>	2015 adjusted
Operating profit . . . . .	223.7	33.2	9.5	16.9	—	0.4	283.8
Result from investments							
measured at equity . . . . .	1.4	—	—	—	—	—	1.4
Investment income . . . . .	0.1	—	—	—	—	—	0.1
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>225.3</b>	<b>33.2</b>	<b>9.5</b>	<b>16.9</b>	<b>—</b>	<b>0.4</b>	<b>285.3</b>
Financial income and expenses .	67.5	—	—	—	(3.1)	—	64.4
<b>Earnings before taxes (EBT) . . .</b>	<b>157.8</b>	<b>33.2</b>	<b>9.5</b>	<b>16.9</b>	<b>3.1</b>	<b>0.4</b>	<b>220.9</b>
Income taxes . . . . .	(40.6)	(3.8)	0.6	—	(0.2)	(4.6)	(48.6)
Result distributable to non-controlling shareholders .	(6.8)	(0.3)	0.5	—	—	0.1	(6.5)
<b>Result distributable to shareholders of STADA Arzneimittel AG (net income)</b>	<b>110.4</b>	<b>29.1</b>	<b>10.6</b>	<b>16.9</b>	<b>2.9</b>	<b>(4.1)</b>	<b>165.8</b>
<b>Earnings before interest and taxes (EBIT) . . . . .</b>	<b>225.3</b>	<b>33.2</b>	<b>9.5</b>	<b>16.9</b>	<b>—</b>	<b>0.4</b>	<b>285.3</b>
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets . . . . .	151.8	(33.2)	(14.5)	—	—	—	104.1
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA/Management Adjusted EBITDA) . . . . .</b>	<b>377.1</b>	<b>—</b>	<b>(5.0)</b>	<b>16.9</b>	<b>—</b>	<b>0.4</b>	<b>389.4</b>

- (1) In 2013, we completed several acquisitions (including the acquisition of Thornton & Ross in the United Kingdom, as well as our acquisition of control over the Vietnamese companies Pymepharco and STADA Vietnam) which resulted in purchase price allocations as well as measurement effects. Taking as a basis the levels in 2013, this adjustment adds back additional scheduled depreciation and other measurement effects due to purchase price allocations as well as significant product acquisitions.
- (2) Relates to transactional foreign exchange losses recorded in the income statement that we recognized due to the fluctuation against the euro of the Russian ruble and other major currencies in the region CIS/ Eastern Europe. As of January 1, 2017, STADA has discontinued this adjustment in its reporting, as it believes the significant fluctuations experienced in more recent periods have returned to a more normal level.
- (3) Relates to miscellaneous extraordinary income and expenses, among other things, from indemnification payments we made and received, tax rate changes in the United Kingdom, a disposal gain from the sale of a French branded products company and expenses in connection with the disposal of our German logistics activities.

(€ million)	2014 reported	Impairments / write-ups on fixed assets	Effects from purchase price allocations and product acquisitions <sup>(1)</sup>	Currency effects CIS/ Eastern Europe <sup>(2)</sup>	Measurement of derivative financial instruments	Other <sup>(3)</sup>	2014 adjusted
Operating profit . . . . .	188.5	105.6	10.9	25.0	—	(9.3)	320.7
Result from investments measured at equity . . . . .	1.6	—	—	—	—	—	1.6
Investment income . . . . .	0.1	—	—	—	—	—	0.1
<b>Earnings before interest and   taxes (EBIT) . . . . .</b>	<b>190.3</b>	<b>105.6</b>	<b>10.9</b>	<b>25.0</b>	<b>—</b>	<b>(9.3)</b>	<b>322.4</b>
Financial income and expenses .	65.6	—	—	—	3.6	—	69.1
Earnings before taxes (EBT) . . .	124.7	105.6	10.9	25.0	(3.6)	(9.3)	253.3
Income taxes . . . . .	(54.6)	(4.0)	(0.4)	(4.3)	—	1.9	(61.4)
Result distributable to non-controlling shareholders .	(5.5)	(0.3)	0.2	—	—	—	(5.6)
<b>Result distributable to   shareholders of STADA   Arzneimittel AG (net income)</b>	<b>64.6</b>	<b>101.3</b>	<b>10.6</b>	<b>20.7</b>	<b>(3.6)</b>	<b>(7.4)</b>	<b>186.2</b>
Earnings before interest and taxes (EBIT) . . . . .	190.3	105.6	10.9	25.0	—	(9.3)	322.4
Balance from depreciation/ amortization and impairments/ write-ups of intangible assets (including goodwill), property, plant and equipment and financial assets . . . . .	228.5	(105.6)	(13.5)	—	—	—	109.5
<b>Earnings before interest, taxes,   depreciation and amortization   (EBITDA/Management   Adjusted EBITDA) . . . . .</b>	<b>418.8</b>	<b>—</b>	<b>(2.6)</b>	<b>25.0</b>	<b>—</b>	<b>(9.3)</b>	<b>431.9</b>

- (1) In 2013, we completed several acquisitions (including the acquisition of Thornton & Ross in the United Kingdom, as well as our acquisition of control over the Vietnamese companies Pymepharco and STADA Vietnam) which resulted in purchase price allocations as well as measurement effects. Taking as a basis the levels in 2013, this adjustment adds back additional schedules depreciation and other measurement effects due to purchase price allocations as well as significant acquisitions.
- (2) Relates to transactional foreign exchange losses recorded in the income statement resulting from the fluctuation of the Russian ruble and other significant currencies in the market region CIS/Eastern Europe during the periods presented. As of January 1, 2017, STADA has discontinued this adjustment in its reporting, as it believes the significant fluctuations experienced in more recent periods have returned to a more normal level.
- (3) Relates to miscellaneous extraordinary income and expenses, among other things, from indemnification payments we made and received.

## Liquidity and Capital Resources

### Overview

Our principal sources of liquidity on an ongoing basis have been, and prior to the First Settlement Date were, our operating cashflows and financing cashflows from drawings under our Existing Debt and factoring facilities. Following the First Settlement Date, our principal sources of liquidity are expected to be our operating cashflows and financing cashflows from drawings under our Revolving Credit Facility and factoring facilities. The availability of the Senior Secured Credit Facilities, including the Revolving Credit Facility, will be subject to certain conditions.

Our ability to generate operating cashflows depends on our operating performance, which in turn depends to some extent on general economic, financial, industry, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in “*Risk Factors*.” We believe that, based on our current level of operations as reflected in our results of operations for the year ended December 31, 2016, our cash flows from operating activities, cash on hand and the availability of borrowings under our Revolving Credit Facility and factoring facilities will be sufficient to fund our operations, capital expenditures and debt service for at least the next twelve months. The ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, legal prohibitions on such payments or otherwise distributing funds to us, including for the purpose of servicing debt. Losses or other events could further reduce the net equity and distributable reserves of our subsidiaries.

We anticipate that we will be highly leveraged for the foreseeable future and our ability to generate future financing cashflows will be limited by the Indentures and the Senior Secured Credit Facilities, which may have important negative consequences for you. See “*Risk Factors*,” “*Description of the Senior Secured Notes—Certain Covenants—Limitation on Indebtedness*,” “*Description of the Senior Notes—Certain Covenants—Limitation on Indebtedness*” and “*Description of Certain Financing Arrangements*.” In addition, any additional indebtedness that we do incur could reduce the amount of our cash flow available to make payments on our then existing indebtedness, including under the Notes offered hereby, and increase our leverage.

The proceeds from the Offerings of the Notes will be used as set forth under “*Use of Proceeds*.”

### **Cash Flows**

The following table summarizes our cash flows for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017:

(€ million)	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
Cash flow from operating activities . . . . .	223.8	311.7	333.5	113.0	89.5
Cash flow used in investing activities . . . . .	(262.0)	(178.2)	(172.7)	(98.1)	(73.2)
Cash flow from (used in) financing activities . . . . .	83.7	(155.1)	55.2	229.3	(44.1)
Non-cash changes in cash and cash equivalents . . . . .	(7.5)	(0.6)	6.6	(2.0)	(4.0)
<b>Net change in cash and cash equivalents . . . . .</b>	<b>38.0</b>	<b>(21.0)</b>	<b>209.4</b>	<b>242.3</b>	<b>(31.8)</b>
Balance at beginning of the period . . . . .	126.2	164.2	143.2	143.2	352.6
Balance at end of the period . . . . .	164.2	143.2	352.6	385.5	320.8

### **Six Months Ended June 30, 2017 Compared with Six Months Ended June 30, 2016**

#### **Cash Flow From Operating Activities**

Cash flow from operating activities decreased by €23.5 million, or 21%, to a cash inflow of €89.5 million in the six months ended June 30, 2017, from a cash inflow of €113.0 million in the six months ended June 30, 2016. This decrease was primarily due to a significantly higher increase in inventories than in the previous period and an increase in trade accounts receivable compared to a decrease in the previous period, which was mainly due to a lower increase in the factoring volume than in the previous period. These drivers were partly offset by higher gross cash flow (as defined in our Financial Statements) than in the previous period, as well as a lower decrease in trade accounts payable.

#### **Cash Flow Used In Investing Activities**

Cash flow used in investing activities decreased by €24.9 million, or 25%, to a cash outflow of €73.2 million in the six months ended June 30, 2017, from a cash outflow of €98.1 million in the six months ended June 30, 2016. This decrease was due to (i) lower payments for investments in business combinations than in the previous period, which decreased to a cash outflow of €2.9 million in the six months ended June 30, 2017, from a cash outflow of €13.2 million in the six months ended June 30, 2016. In the first six months of 2017, these cash flows were driven by the payment of the final purchase price installments for our acquisitions of the Argentinean company Laboratorio Vannier as well as a product portfolio in Serbia and of the purchase price for our acquisition of the Serbian wholesaler Velefarm. In the first six months of 2016, these cash flows were primarily due to the first few major purchase price installments for our

acquisition of the Argentinean company Laboratorio Vannier and of the purchase price for the British company BSMW Limited. The decrease in cash impact was further driven by higher payments for investments in property, plant and equipment in the previous period which was partly offset by an increase in payments for investments in intangible assets in the first six months of 2017 compared to the previous period.

#### *Cash Flow From (Used In) Financing Activities*

Cash flow from (used in) financing activities changed by €273.4 million to a cash outflow of €44.1 million in the six months ended June 30, 2017, from a cash inflow of €229.3 million in the six months ended June 30, 2016. This change was primarily due to the issuance of additional promissory note loans in an aggregate principal amount of €350 million in the previous period, part of the proceeds of which was used to refinance an earlier series of promissory loan notes in an aggregate principal amount of €188 million that would have matured in December 2016.

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

##### *Cash Flow From Operating Activities*

Cash flow from operating activities increased by €21.8 million, or 7.0%, to a cash inflow of €333.5 million in the year ended December 31, 2016, from a cash inflow of €311.7 million in the year ended December 31, 2015. This increase was primarily due to the cash impact resulting from lower payments in respect of interest and income taxes than in the previous year, a significantly lower increase in inventories than in the previous year and an increase in trade accounts payable, compared to a significant decrease in trade accounts payable in the previous year. These drivers were partly offset by higher cash outflows in respect of other net assets than in the previous year.

##### *Cash Flow Used in Investing Activities*

Cash flow used in investing activities decreased by €5.5 million, or 3.1%, to a cash outflow of €172.7 million in the year ended December 31, 2016, from a cash outflow of €178.2 million in the year ended December 31, 2015. This decrease was primarily due to the cash impact resulting from lower payments for investments in intangible assets in 2016 than in the previous year. In 2016, such payments primarily related to the development of approvals and trademarks, as well as licenses in Germany and the United Kingdom. Furthermore, the decrease was driven by lower payments for investments in business combinations than in the previous period. In 2016, such payments related to our acquisition of a product portfolio in Serbia, the British company Natures Aid and the Argentinean company Laboratorio Vannier.

##### *Cash Flow From (Used In) Financing Activities*

Cash flow from (used in) financing activities changed by €210.3 million to a cash inflow of €55.2 million in the year ended December 31, 2016, from a cash outflow of €155.1 million in the year ended December 31, 2015. This was primarily due to the cash impact resulting from significantly higher borrowings than in the previous year. In 2016, we issued additional promissory loan notes in an aggregate principal amount of €350 million. In addition, the cash inflow was driven by significantly lower repayments of financial liabilities than in the previous year. In 2016, we used a portion of the proceeds from our newly issued promissory notes to refinance our then-outstanding €188.0 million aggregate principal amount of promissory loan notes that would have matured in December 2016.

#### ***Year Ended December 31, 2015, Compared with Year Ended December 31, 2014***

##### *Cash Flow From Operating Activities*

Cash flow from operating activities increased by €87.9 million, or 39.3%, to a cash inflow of €311.7 million in the year ended December 31, 2015, from a cash inflow of €223.8 million in the year ended December 31, 2014. This increase was primarily due to the cash impact resulting from significantly lower cash outflows in respect of other net assets than in the previous year and lower payments in respect of income tax than in the previous year, partly offset by a cash-effective increase in trade accounts receivable.

##### *Cash Flow Used In Investing Activities*

Cash flow used in investing activities decreased by €83.8 million, or 32.0%, to a cash outflow of €178.2 million in the year ended December 31, 2015, from a cash outflow of €262.0 million in the year

ended December 31, 2014. This decrease was due to the cash impact resulting from significantly lower payments for investments in intangible assets in 2015 than in the previous year. In 2015, investing cash flows were impacted by the settlement of outstanding purchase price instalments related to the acquisition of the Russian Branded Product portfolio Aqualor, the Russian Branded Products AndraDoz and NeroDoz, the acquisition of the British company Internis, as well as the payment of the purchase prices for our acquisitions of the Austrian company SCIOTEC Diagnostic Technologies and the British Socialites group. In 2014, our investing cash flows were driven by payments in connection with our acquisition of the Russian Branded Product portfolio Aqualor, the Branded Product portfolio Flexitol and the British company Internis Pharmaceuticals.

#### *Cash Flow From (Used in) Financing Activities*

Cash flow from (used in) financing activities changed by €238.8 million to a cash outflow of €155.1 million in the year ended December 31, 2015, from a cash inflow of €83.7 million in the year ended December 31, 2014. This decrease was primarily due to the cash impact resulting from lower borrowings than in the previous year. In 2015, we received cash inflows of €300 million from the issuance of a corporate bond in an aggregate principal amount of €300 million and drawings on two additional loan facilities in the third quarter of 2015. These cash inflows were partly offset by significantly higher repayments of financial liabilities in 2015 than in the previous year, driven by our refinancing of a then-outstanding corporate bond in an aggregate principal amount of €350 million that matured in April 2015.

#### *Net Working Capital*

Net working capital as defined by us consists of inventories and trade receivables less trade payables. See “Presentation of Financial Information—Non-GAAP Financial Measures.” The following table summarizes our change in net working capital for the periods indicated:

(€ million)	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
(Increase)/decrease in inventories . . . . .	(58.0)	(52.9)	(18.0)	(7.6)	(47.7)
(Increase)/decrease in trade accounts receivable . . . . .	0.6	(12.9)	1.2	12.4	(15.9)
Increase/(decrease) in trade accounts payable . . . . .	(18.3)	(25.8)	5.0	(38.4)	(4.7)
<b>Net change in working capital . . . . .</b>	<b>(75.7)</b>	<b>(91.6)</b>	<b>(11.7)</b>	<b>(33.6)</b>	<b>(68.3)</b>

In the six months ended June 30, 2017, our net change in working capital was a cash outflow of €68.3 million, compared to a cash outflow of €33.6 million in the six months ended June 30, 2016. The change in inventories accounted for a cash outflow of €47.7 million and was primarily due to a cash-effective increase in the inventories of our subsidiaries in France and Serbia, partly as a result of strong sales at the end of the year 2016 that led to higher inventory levels in the six months ended June 30, 2017. In Germany, the level of our inventories increased primarily due to the growing tender business in the Generics segment. The change in trade accounts receivable accounted for a cash outflow of €15.9 million, primarily due to strong sales especially in Russia. The change in trade accounts payable accounted for a cash outflow of €4.7 million and was primarily due to reporting date effects, especially in Germany.

In the year ended December 31, 2016, our net change in working capital was a cash outflow of €11.7 million. The change in inventories accounted for a cash outflow of €18.0 million and was primarily due to a cash-effective increase in the inventories of our subsidiaries in Russia and Serbia as a consequence of increased safety stock of several substances. The change in trade accounts receivable accounted for a cash inflow of €1.2 million, driven by increased factoring volume compared to the end of the year 2015 and partly offset by strong sales at year-end, especially in Russia. The change in trade accounts payable accounted for a cash inflow of €5.0 million and resulted primarily from reporting date effects, especially in Italy.

In the year ended December 31, 2015, our net change in working capital was a cash outflow of €91.6 million. The change in inventories accounted for a cash outflow of €52.9 million, primarily due to a cash-effective increase in the inventories of our subsidiaries in Russia, partly to make provisions for sales of certain products expected in 2016. The change in trade accounts receivable accounted for a cash outflow of €12.9 million, mainly as a result of strong sales at the end of the year, especially in Russia, as well as lower



factoring volume in Belgium, Serbia and Italy compared to 2014. The change in trade accounts payable accounted for a cash outflow of €25.8 million, mainly due to a cash-effective decrease in trade payables of subsidiaries in Germany as a result of lower trade accounts payable of STADapharm in Germany to health insurance organizations as a result of decreased operating activities and in Belgium as a result of lower business volume.

In the year ended December 31, 2014, our net change in working capital was a cash outflow of €75.7 million. The change in inventories accounted for a cash outflow of €58.0 million. The change in trade accounts receivable accounted for a cash inflow of €0.6 million. The change in trade accounts payable accounted for a cash outflow of €18.3 million.

### **Capital Expenditures**

Our capital expenditures mainly consist of investments in maintenance (including replacements) and growth expenditures (which relate to our expansion into new markets and increased penetration of existing markets). We finance our capital expenditures with cash flow from operating activities and cash flow from financing activities.

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

(€ million)	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
Significant investments and acquisitions <sup>(1)</sup>	202.5	89.0	86.3	29.4	27.0
Other capital expenditures <sup>(2)</sup>	71.5	101.0	97.4	71.6	48.2
<b>Capital Expenditures</b>	<b>274.0</b>	<b>190.0</b>	<b>183.7</b>	<b>101.0</b>	<b>75.2</b>

(1) Significant investments and acquisitions relate to investments in intangible assets and business combinations.

(2) Other capital expenditure includes maintenance, other investments in tangible assets and financial assets as well as other minor investments in various intangible assets.

Capital expenditures for significant investments and acquisitions decreased by €2.4 million, or 8.2%, to €27.0 million in the six months ended June 30, 2017, from €29.4 million in the six months ended June 30, 2016. Other capital expenditures decreased by €23.4 million, or 32.7%, to €48.2 million in the six months ended June 30, 2017, from €71.6 million in the six months ended June 30, 2016. This decrease was mainly driven by expenditures incurred in Serbia in connection with the construction of a new building dedicated to quality management and the acquisition of new equipment in the first six months of 2016, whereas such expenditures did not recur in the first six months of 2017.

Capital expenditures for significant investments and acquisitions decreased by €2.7 million, or 3.0%, to €86.3 million for the year ended December 31, 2016, from €89.0 million for the year ended December 31, 2015. This decrease was mainly due to lower payments in connection with certain acquisitions. Other capital expenditures decreased by €3.6 million, or 3.6%, to €97.4 million for the year ended December 31, 2016, from €101.0 million for the year ended December 31, 2015. This decrease was driven by lower expenditures for minor intangible assets.

Capital expenditures for significant investments and acquisitions decreased by €113.5 million, or 56.0%, to €89.0 million for the year ended December 31, 2015, from €202.5 million for the year ended December 31, 2014. This decrease was mainly due to lower investments in material intangible assets, as substantial investments made during 2014 in connection with our purchase of the Russian Branded Product portfolio Aqualor, the Branded Product portfolio Flexitol, and the British company Internis, did not recur in 2015. Other capital expenditures increased by €29.5 million, or 41.3%, to €101.0 million for the year ended December 31, 2015, from €71.5 million for the year ended December 31, 2014. This increase was mainly due to higher investments in tangible assets in connection with the expansion and renewal of production facilities and plants, as well as test laboratories and from higher expenditures for minor intangible assets.

For the year ending December 31, 2017, our management expects to incur capital expenditures in the amount of approximately €159 million.

## Contractual Obligations

The table below summarizes our material contractual obligations as of June 30, 2017, after giving pro forma effect to the Transactions as if they had occurred on such date (subject to the assumptions set forth in “Use of Proceeds”).

		Payments due by period		
(€ million)	Total	Less than 1 year	1 - 5 years	More than 5 years
<i>Fixed interest rate instruments</i>				
Senior Secured Notes offered hereby <sup>(1)</sup> . . . . .	735	—	—	735
Senior Notes offered hereby <sup>(1)</sup> . . . . .	340	—	—	340
<i>Variable interest rate instruments</i>				
Term Loan B Facility <sup>(2)</sup> . . . . .	1,700	—	—	1,700
Revolving Credit Facility <sup>(3)</sup> . . . . .	—	—	—	—
<b>Total</b> . . . . .	<b>2,775</b>	<b>—</b>	<b>—</b>	<b>2,775</b>

(1) Represents the aggregate principal amount of each series of Notes.

(2) Represents the estimated euro equivalent initial principal amount of the Term Loan B Facility under the Senior Secured Credit Facilities Agreement. The Term Loan B Facility may be borrowed in two tranches consisting of euro and pound sterling and therefore the actual euro equivalent amount of the Term Loan B Facility may vary from time to time due to exchange rate fluctuations. As of September 22, 2017, the Term Loan B Facility has been drawn in an amount of €250 million. See “Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement.” See “Capitalization.”

(3) As of September 22, 2017, the Revolving Credit Facility has been drawn in an amount of €37 million. See “Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement.”

We have a small number of finance leases and several operating leases primarily for our office buildings, IT equipment and various vehicles. The table below summarizes our leases as of December 31, 2016:

(€ million)	Up to one year	Between one year and five years	More than five years	Total
Finance leases	1.5	1.8	0.0	3.3
Operating leases <sup>(1)</sup>	28.7	37.9	2.6	69.1
<b>Total contractual obligations</b>	<b>30.2</b>	<b>39.7</b>	<b>2.6</b>	<b>72.4</b>

(1) Includes leases for buildings, including our head office in Bad Vilbel and other leases for subsidiaries, vehicles and office equipment.

## Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition or results of operations. Most importantly, we lease our Ladival brand under a sale and leaseback agreement, which provides us with the option to repurchase the brand at fair market value in 2020. We also in-license certain of our Generics, none of which individually represents a material portion of our business. We record provisions for estimated warranty claims in connection with product returns, based on historical data. As of December 31, 2016, our provision in respect of warranties was €18.8 million. In the periods under discussion, the majority of our products returns was due to returns of excess stock by certain customers in our Branded Products segment. We also regularly enter into guarantees of indebtedness drawn by other entities within our group.

## Quantitative and Qualitative Disclosures Regarding Market Risk

Our segments operate in competitive markets and are subject to changes in business, economic and competitive conditions. Our business is subject to:

- default risks;
- liquidity risks;
- interest rate risks and interest rate management / risks relating to interest rate instruments subject to hedge accounting; and
- currency risks and risks relating to currency management.

Developments in any of these risk areas could have a material effect on our results.

Risks that could have a significant influence on the net assets, financial position and results of operations of the Target Group are described below. Risks are reported in the form of net risks, i.e. risks including the measures taken to manage the risk, and by the individual segments. If no segment is explicitly referenced, the described risks affect both the Branded Products and Generics segments. As yet unknown risks and those that have been assessed as insignificant could also influence net assets, financial position and results of operations.

### **Quantitative and Qualitative Disclosures Regarding Financial Risks**

We have exposure to liquidity risk, currency risk, interest rate risk, default risk, transfer price risk and impairment risk. Our risk management policies are established to identify and analyze the risks we face. We counter financial risks with finance policy methods and specific risk management. Developments in any of these risk areas could have a material effect on our results. See “*Risk Factors*” and our Financial Statements included elsewhere herein for further details on these and other risks we face.

#### ***Liquidity Risk***

Liquidity risks may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing markets or fluctuation in the operational course of business. The objective of our liquidity management is to ensure solvency and financial flexibility of our Target Group at all times through sufficient liquidity reserves and ready access to credit lines. Our financing comprises short-term and long-term borrowings from banks, promissory loan notes, bonds and factoring. Furthermore, we generate substantial operating cash flows and have access to credit financing from various banks that can be utilized as needed.

#### ***Currency Risk***

Due to our international business operations, we are subject to risks arising from exchange rate fluctuations. These particularly result from fluctuations of the U.S. dollar, Russian ruble, British pound sterling and Serbian dinar in relation to the euro. A currency risk consists of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency, or as a result of exchange rate fluctuation (transaction risk). However, we believe that we could mitigate this risk to a certain extent through natural hedges and the use of derivative financial instruments. These are used to hedge currency risks from operating activities, financial transactions and investments. In the year ended December 31, 2016, we used foreign-exchange futures contracts and interest/currency swaps. The maturity dates of futures contracts are generally set as necessary to match our anticipated cash flows. The remaining term of the contracts is currently up to one year.

Furthermore, currency risks also exist in relation to the translation of the balance sheet items, as well as the conversion of income and expenses of subsidiaries outside the Eurozone (translation risk). In this connection, the current political conflict between Ukraine and the Russian Federation, as well as negotiations between the United Kingdom and the EU over Brexit, could indirectly continue to have a negative influence on exchange rates and our results of operations.

For example, a currency sensitivity analysis (translation risk) on the basis of our foreign currency items as of December 31, 2016, showed that in the financial year 2016, an appreciation or devaluation of the functional currency compared with the Russian ruble by 10% changed our EBITDA by approximately €1.8 million. At the same time, an appreciation or devaluation of the functional currency in relation to the British pound sterling of 10% would have led to a change in our EBITDA of approximately €0.6 million.

#### ***Interest Rate Risk***

We are subject to interest rate risks from financial assets and financial indebtedness, primarily in the Eurozone and Russia. We calculate existing interest rate risks with sensitivity analyses that show the effects of changes in market interest rates on interest payments, interest income and expenses as well as on equity. Should the sensitivity analysis show that interest rate fluctuations could lead to significant impacts, we could use derivative hedging instruments to avoid the risk.

A sensitivity analysis showed that an increase in market interest rates of 100 basis points in 2016 would have resulted in additional expenses of €1.4 million, compared to €0.7 million in the previous year and a

decrease in market interest rates of 100 basis points would have resulted in additional income of €0.6 million, compared to €0.7 million in the previous year.

Following the Transaction and subject to the assumptions set forth under “*Use of Proceeds*,” our indebtedness and other debt arrangements will be primarily composed of the Senior Secured Credit Facilities (which will bear a floating interest rate based on EURIBOR or LIBOR), the Senior Secured Notes and Senior Notes (each which have a fixed rate coupon).

### ***Default Risks***

We are exposed to default risk in our operating business or as a result of financing activities if contracting parties fail to meet their obligations. To avoid default risks in financing activities, appropriate credit management processes are in place and such transactions are generally only entered into with counterparties of sufficient credit quality.

Risks of default also exist as a result of the supply of goods and services. We therefore strive to maintain business relations only with counterparties of sufficient credit quality. In addition, we partly use credit support such as guarantees, loan insurances or the transfer of assets to safeguard ourselves against default risk. Overdue receivables are continuously monitored and potential default risks are addressed through value adjustments. In addition, there is the risk that in a difficult economic and financial environment, national healthcare systems delay or fail to make payments to us or our business partners directly or indirectly increasing the risks of default.

### ***Transfer Price Risks***

We have an international network of subsidiaries and carry out strategic functions centrally through STADA Arzneimittel AG. As a result, an overarching tax transfer-pricing model for the billing of intragroup services is of increasing importance. Potential risks of non-recognition of these transfer prices for tax purposes, for example from retroactive tax claims of the local tax authorities against one of our subsidiaries, are limited by way of the introduction of corresponding agreement procedures and a comprehensive definition of transfer prices in our group-wide policies. However, there can be no assurance that transfer prices will be recognized by the competent authorities.

### ***Impairment Risks***

The valuation rates of assets presented on our consolidated balance sheet are subject to changes in market and business relationships and thereby to changes in fair value. Our annual and case-related impairment test may result in significant charges against earnings and adverse impacts on balance sheet ratios. This particularly applies to goodwill primarily resulting from purchase price allocations linked to previous acquisitions, and for other intangible assets. All relevant risks are considered in the context of the preparation of our consolidated financial statements.

### **Critical Accounting Policies**

The presentation of the net assets, financial position and results of operations in our Financial Statement is determined by recognition and valuation methods. To a certain extent, we make estimates and assumptions relating to the future that are based on past experience as well as other factors that are considered to be appropriate in the particular circumstances. Although the estimates and assumptions are constantly re-evaluated, estimates derived in this way may differ from actual circumstances. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed below.

#### ***Purchase Price Allocations***

As part of purchase price allocations in business combinations, goodwill is the difference between the acquired net assets evaluated according to IFRS 3 and the consideration transferred, plus the fair value of the previously held shares and the amount recognized of non-controlling shareholders. Various valuation methods used for purchase price allocations are primarily based on estimates and assumptions.

#### ***Impairment***

Goodwill is not amortized over the period of useful life. Instead, an impairment test is performed at least once a year (impairment-only approach). For this purpose, goodwill is allocated to cash-generating units

aggregated into operating segments, where a cash-generating unit corresponds to a market region within our two operating segments for the purpose of an impairment test of goodwill.

We carry out impairment tests for capitalized goodwill at least once a year. Additional reviews also take place if indications of impairment become apparent. During the impairment test, the carrying amount of each cash-generating unit is compared with its recoverable amount. The carrying amount of a cash-generating unit comprises the carrying amounts of all assets and liabilities attributable to the valuation unit including the carrying amount of goodwill to be tested. If the recoverable amount of a cash-generating unit is lower than the carrying amount, an impairment loss results. The recoverable amount is generally defined as the higher of the fair value less costs to sell, if measurable, and the value in use of the cash-generating unit. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. Following this three-year period, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. Significant assumptions are made in order to determine the value in use, including assumptions regarding sales development, regulatory conditions, investments, the discount rate, currency relations as well as the growth rate. These assumptions are made individually according to the individual situations for every cash-generating unit and are partly based on internally determined assumptions that both reflect past experience and include external market data. Significant changes to the assumptions and calculation parameters used would influence the determination of the value in use of the cash-generating units.

Other intangible assets with determinable useful lives are recognized at cost and amortized on a straight-line basis over the period of their useful life. Amortization shall begin when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the intended manner. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for drug approvals or in preparation of drug approvals, software, concessions, property rights and similar rights is between three and 30 years. If on the reporting date, there are indications that these assets are impaired, the recoverable amount of the asset is re-evaluated and impairment losses are recognized according to the difference to the carrying amount. If the reasons for recognizing an impairment loss cease to exist, corresponding write-ups are carried out up to a maximum of the amortized cost.

Intangible assets with indefinite useful lives are not amortized. In the context of annual impairment tests and additionally in all cases where there are indications of impairment, the recoverable amounts of these assets are compared with their carrying amounts and if necessary, an impairment loss is recognized. For this purpose, the fair value of the asset less costs to sell was determined using the relief from royalty method. In our case the intangible assets with indefinite useful lives are relating to the umbrella brands of Hemofarm, Pymepharco and Vannier, all capitalized in the context of their respective acquisitions.

Intangible assets that are not yet available for use are also generally put through annual impairment tests. Furthermore, in each reporting period, an audit is carried out to check whether the reasons for recognizing an indefinite useful life continue to exist.

Impairments on other intangible assets and property, plant and equipment exist when the recoverable amount of an asset is lower than its carrying amount. At each reporting date, we assess whether indications for impairment are apparent. If this is the case, e.g. if certain defined critical values are exceeded, the asset's recoverable amount is determined. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, where the value in use is calculated with a discounted cash flow method. Under this procedure, future cash flows of intangible assets are discounted at the weighted average cost of capital, which is determined individually for two operating segments with specific parameters. Expenses arising from impairments are reported under the caption "Other expenses."

For the purpose of impairment tests of other intangible assets and property, plant and equipment, our cash-generating units are defined at the level of individual assets within the reportable segments of Branded Products and Generics.

If the reasons for an impairment no longer exist, the corresponding write-ups are carried out up to a maximum of the carrying amounts determined at amortized cost. Income from write-ups is reported under the item "Other income."

For items of property plant and equipment and intangible assets, the expected useful lives and associated amortization or depreciation expenses are determined on the basis of the expectations and assessments of management. If the actual useful life is less than the expected useful life, the amount of depreciation or amortization is adjusted accordingly. As part of the determination of impairment losses on fixed assets,



estimates relating to the cause, timing and amount of the impairments are also made. Particularly in the context of impairment tests for yet unused approvals, which are reported as advance payments, the growth rates applied for the present value test as well as the long-term price and cost development of active pharmaceutical ingredients are based on best possible estimates. This also applies to the impairment tests of other intangible assets with indefinite useful lives.

#### ***Development Costs***

Development costs are capitalized based on the assessment of whether the capitalization requirements of IAS 38 are met. Planning calculations are necessary to determine the future economic benefit, which are by their nature subject to estimates and may therefore deviate from actual circumstances in the future.

#### ***Valuation Allowances on Receivables***

We make valuation allowances on receivables in order to anticipate losses expected in relation to insolvency of customers. The maturity structure of the net receivables and past experience in relation to bad debts as well as the customers' creditworthiness are used as the criteria for evaluating the appropriateness of the valuation allowances. This does not, however, exclude the possibility that the actual derecognitions will exceed the expected valuation allowances due to a significant worsening in the financial position of the customer. Accounting judgments and estimates regarding the assessment of the value of receivables relate particularly to impaired receivables from debtors in Central and Eastern European countries.

#### ***Provisions for Pensions and Similar Obligations***

We maintain defined benefit plans in various countries, according to which the amount of pension benefits depends on the employees' pensionable remuneration and length of service or which contain guarantees not permitting recognition as defined contribution plan. Pension obligations are measured in accordance with actuarial principles using the projected unit credit method. The pension provisions recognized in the balance sheet correspond to the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets, adjusted for any limitation of the benefit asset. In addition to earned pensions and entitlements, the calculation also includes future salary and pension increases. For our German companies, pension obligations are calculated based on the biometric accounting principles of the Heubeck 2005G mortality tables. In other countries in which we operate, country-specific mortality tables are used. Future pension benefits are subject to individual pension agreements. The discount rate shall be based on long-term rates of return on high quality corporate bonds with fixed interest rates at the reporting date. In countries where there is no liquid market for corporate bonds, the discount rate is determined on the basis of market yields on government bonds. Changes to the assumptions can significantly influence the amount of future pension costs.

The standard IAS 19 only permits actuarial gains and losses to be recognized with no effect on income. It differentiates between gains and losses due to changes in demographic assumptions, financial assumptions as well as due to experience-based amendments. They are recognized directly in equity with no effect on income in the period in which they occur ("other comprehensive income, OCI"). The relevant amounts are reported separately in the consolidated statement of comprehensive income. For the calculation of the portion of the interest income on plan assets recognized through profit or loss, the standard IAS 19 requires the application of the discount rate underlying the obligation. The remainder of the actual income from plan assets is to be recognized directly in other comprehensive income with no effect on profit or loss. The current service cost is recognized in staff costs of the individual functional areas. All past service cost that arises in the financial year shall be recognized immediately through profit or loss.

Several of our subsidiaries also grant their employees defined contribution plans. In these cases, we pay defined contributions to independent institutions due to legal or contractual requirements or on a voluntary basis without incurring additional liabilities. Contributions to be paid for the respective plans are recognized as expense in the respective period in the relevant functional areas.

The other non-current provisions contain "anniversary provisions" and other long-term employee benefits. Commitments to anniversary payments are accounted in accordance with the guidelines in IAS 19 and other long-term employee benefits. In contrast to pension provisions, actuarial gains and losses are not recognized without an effect on the income statement. Such potential gains and losses are immediately reported as income or expenditure in the relevant functional areas. Furthermore, there is a working time accounts plan that is accounted for in the same way as commitments to anniversary payments.

### ***Other Provisions***

We set aside other provisions in case of current legal or constructive obligations to third parties arising from past events that will likely lead to an outflow of resources embodying economic benefits that can be reliably determined. An outflow of assets embodying economic benefits is considered as probable if it is more likely to occur than not. Other provisions are recognized in an amount that, taking into account all recognizable risks, offers the best possible estimate of expenditures necessary to fulfill the obligations. Any existing reimbursement claims by third parties are not netted with other provisions. Expenses from the creation of provisions are allocated to functional costs according to where they arise. If changes in estimates result in a reduction of the obligation, the other provisions are reversed on a *pro rata* basis and recognized through profit and loss under the item where the original expense was recognized.

The creation of other provisions is based on the assessment of management regarding the probability and amount of an outflow of resources. We set aside provisions in case of a present external obligation and a probable outflow of resources (meaning that an outflow is more likely to occur than not). Provisions in relation to pending legal disputes are created based on how we estimate the prospects of success of these methods. The determination of provisions for damages is also associated with substantial estimates and can change due to new information. The same applies for the recognition of the amount of contingent liabilities.

### ***Provisions for Warranties and Discounts***

Expenses from the creation of provisions for warranties are considered in sales and charged against income. Estimated values based on past experience are used for this purpose. This means that the actual expenses for warranties may differ from the estimate and sales would accordingly turn out to be higher or lower. The same applies for the consideration of discounts (e.g. discounts to health insurance organizations) prescribed by law and due to other regulatory requirements. These are recognized with a reduction on sales based on the respective underlying contract with an estimated amount in expectation of probable sales.

### ***Income Taxes***

Income taxes include actual taxes on income as well as deferred tax liabilities. The tax receivables and liabilities recognized in the balance sheet include demands or liabilities for income taxes in Germany and outside Germany in respect of the year ended December 31, 2016, as well as from previous years, if applicable. The tax receivables and liabilities are calculated on the basis of tax rates effective as of the reporting date or known and already concluded for the future in the countries in which the taxable profit is generated.

Deferred tax liabilities are created for temporary differences between the tax base of the assets or liabilities and their valuation rate in the IFRS financial statements as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that a taxable profit will result against which the temporary difference can be utilized. Deferred tax liabilities are recognized for temporary differences taxable in the future. We determine deferred taxes on the basis of tax rates applicable at the reporting date or those that have already been resolved and communicated for the future. Deferred tax receivables and liabilities are offset if these relate to the same taxation authority.

The tax expense in the period is recognized in the income statement, provided the changes in value that are recognized directly in equity are not affected. To the extent that there are changes in the tax rate with an effect on deferred taxes, the resulting effects are recognized in the period in which they arise.

We operate in various countries and are obliged to pay respective income taxes in each tax jurisdiction. In order to calculate the income tax provisions and the deferred tax liabilities in the Target Group, the expected income taxes as well as the temporary differences resulting from the different treatment of certain balance sheet items according to IFRS are determined on the basis of assumptions. If the final taxation imposed deviates from the assumed values, this has a corresponding effect on current and deferred taxes and thus on the net assets, financial position and results of our operations in the respective period. Furthermore, we consider increasingly important the existence of a comprehensive tax transfer-pricing model for the remuneration of intragroup services within the Target Group. Possible risks of non-recognition of these transfer prices for tax purposes are limited by the introduction of appropriate communication methods and an overarching definition of transfer pricing in the form of group-wide policies.

### ***Derivative Financial Instruments***

We counter risks from fluctuations in cash flow with derivative financial instruments, which are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

Derivative financial instruments exist in the context of derivatives measured at fair value through profit or loss as well as in the context of derivative hedging instruments. Cash flow hedges, fair value hedges and hedges of net investments in a foreign operation can generally be recognized as derivative hedging instruments in the context of hedge accounting in accordance with IAS 39.

We use cash flow hedges to protect against fluctuations of cash flows associated with an accounted asset or an accounted financial liability or a highly probable planned transaction. Changes in the fair value of these hedging instruments are recognized with no effect on income in the amount of the effective part of the hedging relationship directly in equity. A transfer to the income statement takes place in the period when the underlying hedged item becomes effective. The ineffective part of the changes in value is, however, recognized directly in the income statement.

In the context of fair value hedges, the risk of a change in fair value of accounted assets or accounted liabilities or fixed off balance liabilities is hedged. Changes in the fair value of these hedging transactions are recorded in our income statement, as if they were changes in the fair value of the underlying hedged items. If the requirements for hedge accounting are no longer met, the carrying amounts of the previously hedged items are adjusted on the basis of their remaining terms. Hedges of net investments in a foreign operation are treated according to the same accounting policies as cash flow hedges.

We regularly review the effectiveness of the hedging relationships as a prerequisite for hedge accounting pursuant to IAS 39. A hedging relationship is in general considered to be effective, if changes in fair value of the hedging transaction are both prospectively and retrospectively within a range of 80% to 125% of the offsetting changes in fair value of the hedged item. We measure all other financial liabilities, in particular trade payable as well as financial liabilities, at amortized cost using the effective interest method.

As of the date of this offering memorandum, we have not yet made use of the option to designate financial liabilities on initial recognition as financial liabilities to be recognized at fair value through profit or loss.

When determining the fair values of derivatives and other financial instruments, for which no market price in an active market is available, valuation models based on input parameters observable in the market are applied. The cash flows, which are already fixed or calculated by means of the current yield curve using so-called “forward rates,” are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the reporting date.

As of December 31, 2016, we hold derivatives without hedging relationship in the form of interest rate/currency swaps and currency swaps.

### **Accounting Policies and Changes in Accounting Policies**

For a complete summary of our accounting policies and for information regarding recent and pending changes to our accounting policies, see our 2016 Audited Financial Statements included elsewhere herein.

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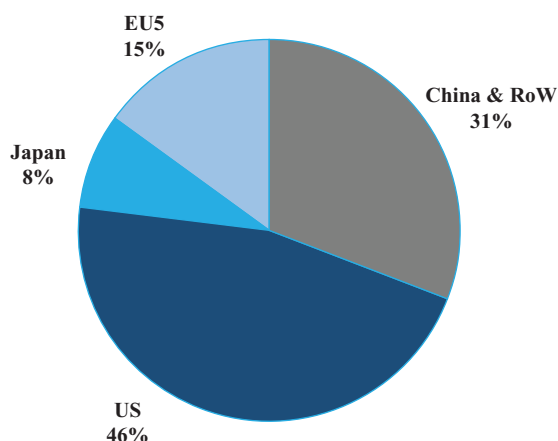
## INDUSTRY

### Global Pharmaceutical Industry Overview

The global pharmaceutical market is a growing industry with growth expected to be driven primarily by important sector growth trends such as an aging population in the world's developed economies, the launch of new and enhanced treatment options for patients, and the increasing significance of emerging markets.

The United States is the largest pharmaceutical market globally, contributing approximately 46% to total pharmaceutical sales in 2016. Historically there has been a favorable pricing environment and a generally higher utilization of pharmaceuticals in the United States, compared to other developed markets. Europe is the second largest market with Germany, the United Kingdom, France, Spain and Italy (the "EU5") contributing approximately 15% to total pharmaceutical sales and Japan is the third largest pharmaceutical market contributing 8%. China and the rest of the world ("RoW") market total 31% of pharmaceutical sales.

*Global Pharmaceutical Drug Sales by Geographic Region*



Source: Quintiles IMS 2016.

### Product Segments

The pharmaceutical industry is comprised of a broad range of product segments including patent-protected branded prescription drugs, generic prescription drugs, OTC products and nutraceutical products. Patent-protected branded prescription drugs include both chemical pharmaceutical products and biologics. Generic prescription drugs include simple generics, branded generics, specialty generics and biosimilars.

#### *Patent-Protected Branded Prescription Drugs*

Patent-protected Branded prescription drugs involve a significant commitment of time and money in research and development ("R&D") and depend upon patent protection laws to recuperate the significant initial investment and to compensate for other drugs in the pipeline that were unsuccessful. They are sold under branded names and can be either chemical pharmaceuticals, which are chemically synthesized small molecules, or biologics, which are large complex molecules extracted from a variety of natural sources (human, animal or microorganism) and are used to treat a range of diseases and medical conditions. Examples of biologics include vaccines, gene therapies and cellular therapies.

#### *Generic Prescription Drugs*

Generic drugs are the chemical and therapeutic equivalents of reference branded prescription drugs, typically sold under their generic chemical names at prices below those of their branded drug equivalent. These drugs can be introduced into the market once patents and regulatory exclusivity have expired on a given branded prescription drug, and are generally required to meet similar governmental standards as their branded name equivalent and also must generally receive regulatory approval prior to their sale. Governments, in an effort to control rising healthcare costs, are increasingly mandating the use of generic



drugs instead of the more expensive branded equivalents as they often provide similar benefits after passing through the approval process.

### ***Simple Generics***

Simple generic drugs are marketed and sold using only the generic chemical name (International Nonproprietary Name (“INN”)) and are not given a brand name.

### ***Branded Generics***

Branded generic drugs are marketed under another company’s specific brand name which is different to the brand name of the original product.

### ***Specialty Generics***

Specialty generics differ from original products in terms of their formulation or method of delivery. They sometimes require a new drug application to obtain regulatory approvals. These drugs are enhanced in terms of drug delivery, manufacture, or reformulation technology, and face a more stringent regulatory approval process than generic prescription drugs. They may also be referred to as added value generics, new therapeutic entities, or hybrids. Specialty generics take at least three to four years to be developed for registration.

### ***Biosimilars***

Biosimilars are an emerging class of biologic drugs. While generics are based on chemically synthesized small molecules that are identical to their branded originator counterpart on an atomic scale, biologics are based on large and complex molecules extracted from natural sources and are therefore very difficult to replicate. However, manufacturers have been able to create molecules that are highly similar to approved original molecule biologics and to obtain regulatory approval. These molecules are offered at a more affordable price and are referred to as biosimilars. Biosimilar drugs can be thought of as the generic versions of biologics and are generally required to have no clinically meaningful differences to the original molecule biologics in order to obtain regulatory approval.

### ***OTC Drugs***

OTC or non-prescription medicine can be purchased by a consumer without the supervision of a health care professional such as a physician and without a prescription. OTC drugs are tried and tested products which have been in the market for many years and are not typically protected by patents but rely on brands to differentiate the products. As there are very few truly global OTC brands, there is a prevalence of local market leaders. As a result, local brands have the potential to be successful in niche markets.

### ***Nutraceutical Products***

Nutraceuticals are foods or food extracts that are used for medical benefits, and often come in the form of a dietary supplement. The increasing trend for “natural” products can be seen across consumer segments, and is also taking place in the pharmaceutical industry due to increased focus on general wellness and healthier lifestyles. Products based on naturally sourced active ingredients can have the same pharmaceutical effectiveness as standard pharmaceutical products, often with better safety profiles and more limited side effects.

## **Industry Dynamics & Drivers**

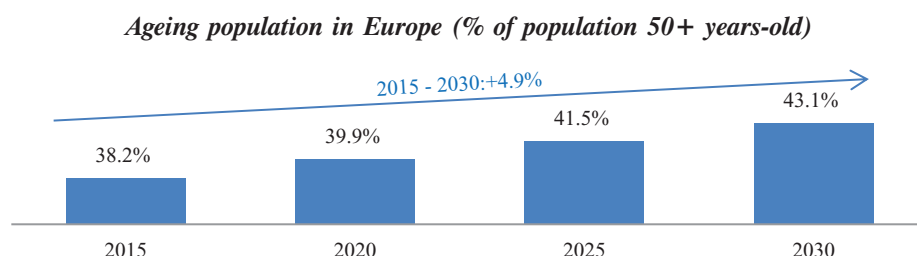
There are a number of fundamental characteristics and trends that have historically impacted, and which we believe will continue to impact, the growth of the broader pharmaceutical industry over the mid-to long-term.

### ***Resilient, Non-Cyclical Industry***

The pharmaceutical market is resilient and largely non-cyclical. Spending on prescription and OTC drugs is non-discretionary in nature and has historically increased throughout a variety of cyclical periods. Demand within the pharmaceutical market is driven by widespread global demand for improved healthcare standards, rising disease awareness and consistent investment in scientific innovation and subsequent introduction of new products and treatment regimes.

### ***Aging World Population***

Older individuals have a wider variety and consistency of health care needs and generally consume a greater proportion of healthcare spend and pharmaceutical products than younger people, particularly for the treatment of chronic diseases. According to the United Nations, the median age in the world is projected to rise from approximately 29 years in 2013 to approximately 36 years by 2050, with the median age in Europe projected to rise from approximately 41 years in 2013 to approximately 46 years by 2050. Furthermore, the percentage of the population aged 50 years and older is projected to increase by 4.9% from 2015 to 2030.



### ***Innovation Addressing Previously Unmet Medical Needs and Enhanced Treatment Options for Existing Patients***

New medicines are expected to transform patient care in connection with a large number of diseases, including respiratory and cardiovascular diseases, as well as oncology, immunology and central nervous system disorders, requiring increasing amounts of R&D expenditures. According to the European Federation of Pharmaceutical Industries and Associations, the pharmaceutical industry invested more than €30.5 billion in R&D in Europe in 2014, compared to R&D expenditures of €7.8 billion in 1990, representing an increase of almost four times.

### ***Pharmaceutical Products Provide Cost-Effective Healthcare Spend Alternatives***

Compared to other healthcare measures such as hospitalization and surgery, pharmaceutical products contribute a relatively small share to total healthcare spending and thus are a cost-effective measure for healthcare payors for the management of diseases.

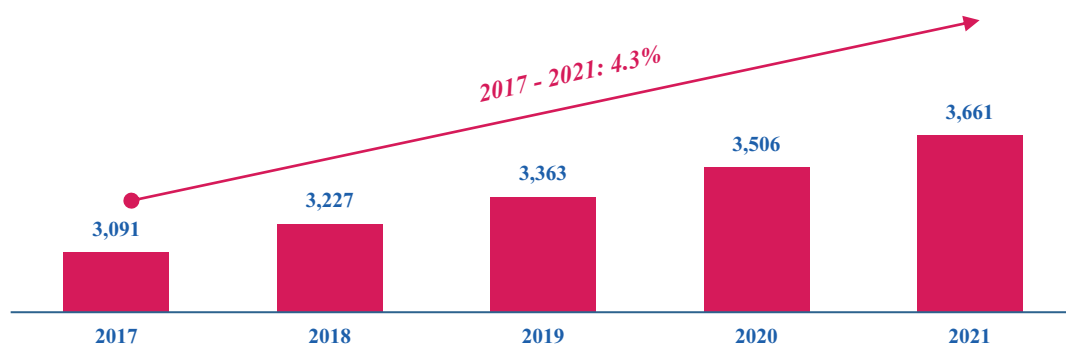
### ***Pharmaceutical Cost Containment in Developed Markets***

Government austerity measures, especially in the Eurozone, are resulting in the tightening of reimbursement policies and increasing pressure on the price pharmaceutical companies can charge for their products. Furthermore, reductions in overall health care spending by governments has led to an increased focus on cost effective alternatives, including generic prescription products and preventive medicine through more frequent consumption of OTC products.

### ***Lifestyle Changes***

In the developed markets, an increase in the consumption of unhealthy foods combined with a general trend towards a more sedentary lifestyle has led to an increase in ailments such as diabetes, heart disease, high cholesterol, high blood pressure and obesity. This has led to an increased demand for pharmaceutical products designed to treat and prevent these conditions and an increase in demand for nutraceutical products and vitamins. Notably, this trend is also becoming increasingly apparent in emerging markets.

### *Growing vitamins markets as a result of greater health awareness in Europe (€m)*

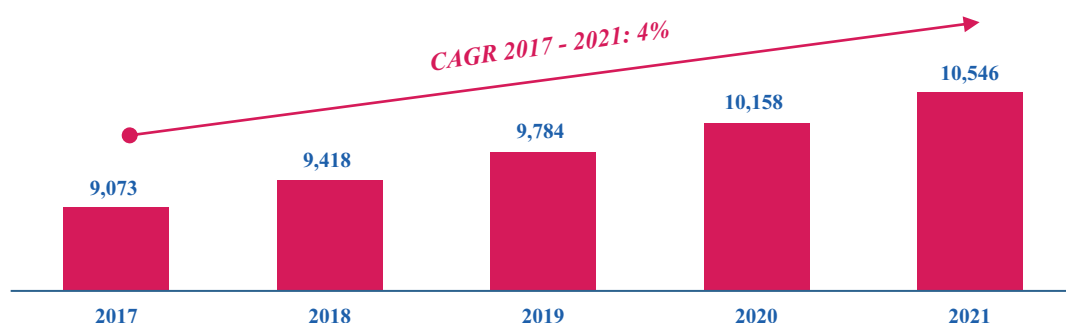


Source: Quintiles IMS 2016.

### *Health Insurance and Increase in Disposable Income*

The significant growth in disposable household income in both developed and emerging markets and the expansion of health insurance coverage is expected to drive increased access and demand for both prescription pharmaceuticals and OTC products. This has led for example, to an increased demand for cough, cold and allergy products.

### *Growing cough, cold and allergy markets in Europe (€m)*



Source: Quintiles IMS 2016.

### *Increasing Role of Emerging Markets*

According to Quintiles IMS, emerging markets are expected to account for a large portion of overall growth in the pharmaceutical industry in the coming years. For example, in the generics industry, Central Eastern European countries such as the Czech Republic, Romania, Slovakia, Hungary, Poland, and Serbia are expected to grow at an average CAGR of 5.8% in 2016-2020, while Russia and Ukraine are expected to grow at a CAGR of approximately 14% and 13%, respectively, for the same period. This is higher than the anticipated growth of developed Western European countries such as Germany, the United Kingdom, France, Spain, Italy, Netherlands and Switzerland where the average generics industry CAGR for 2016-2020 is expected to be 4.3% (source: BMI Research). Overall economic activity in emerging markets is expected to grow in line with rising disposable incomes, rising life expectancy and increased access to medical care. Compared to more mature markets, emerging markets tend to have a larger proportion of branded generics products and have health care systems that promote higher levels of “out-of-pocket” spending by the consumer.

### *Industry Structure*

The broader global pharmaceutical industry can be grouped into five categories, each addressing different market segments as described below:

#### *Integrated, Global Pharmaceutical Companies*

These are typically global pharmaceutical companies that are involved in all aspects of the pharmaceutical value chain from early stage compound discovery, research and development to the sale and marketing of

the pharmaceutical product. The high failure rates and costs associated with discovering and developing a compound in the laboratory through to successful commercialization leads most global pharmaceutical companies to focus their efforts on the development and commercialization of a limited number of blockbuster drugs in their portfolio so as to achieve an acceptable level of profitability.

### ***Specialty Pharmaceutical Companies***

These are typically small to medium-sized pharmaceutical companies focused either on specific geographies or therapeutic areas. Geographic-focused pharmaceutical companies focus primarily on the marketing and distribution of drugs within selected regions where they have developed a strong sales force presence. These companies often have broad product portfolios and strong national or regional distribution networks. Therefore, geographic-focused pharmaceutical companies tend to be less at risk from the failure of any single product or any single market and, unlike global pharmaceutical companies, focus their efforts on small and medium value drugs. Specialty drug-focused therapeutic pharmaceutical companies instead focus on specific therapeutic areas across the value chain. These companies typically seek to have a multi-national presence in their particular niche product markets.

### ***Biotechnology Companies***

Biotechnology companies focus on new drug discoveries based on biological processes and are generally engaged in the early stages of the value chain. These companies rely on their technological expertise, and only the larger companies have developed sales and marketing capabilities. Biotechnology companies often seek to bring their products to market through partnerships and alliances with larger pharmaceutical companies which have established sales and marketing functions. Biotechnology companies are growing in importance as they are increasingly responsible for the discovery of new drugs.

### ***Generic Pharmaceutical Companies***

Generic pharmaceutical companies focus on the manufacture and sale of pharmaceutical products which are no longer patent-protected. These companies do not typically engage in the research and development of new products and seek to maintain profitability by focusing on low cost and high volume production.

### ***Consumer Healthcare Companies***

Consumer healthcare and OTC companies focus on the manufacture and sale of products that meet health needs but do not require prescriptions. Despite varying definitions of consumer healthcare, it is generally considered to be made up of any consumer good in which health related claims can be made including: OTC medicines, personal hygiene, oral care, food & beverage, nutritional products, women's health, infant care products and nutraceuticals. These markets are characterized by significantly lower levels of regulation and government involvement, generally not being reimbursable under government-backed healthcare schemes. The consumer healthcare market and companies are very focused on brands, with a correlation between profitability and the contribution of leading brands to companies' portfolios both globally and locally. OTC drugs account for the largest portion of the consumer healthcare market, followed closely by vitamins and dietary supplements.

## **Regulation**

The global pharmaceutical industry is extensively regulated by a number of local and international regulatory authorities such as the U.S. Food and Drug Administration and the European Medicine Agency. Regulatory requirements and procedures can differ by individual pharmaceutical market, but include provisions relating to the control of the pharmaceutical markets, manufacturing, research and clinical development, marketing, labelling and packaging, storage, distribution, dispensing, advertising and promotion, export and import, and sometimes pricing of pharmaceutical products.

### ***European Union***

The EU pharmaceutical industry regulations require that medicinal products, including generic versions of previously approved products and new strengths, dosage forms and formulations of previously approved products, must receive a marketing authorization before they can be placed on the market in the EU. There are three main procedures for application for authorization to market pharmaceutical products in the EU member states: the Centralized Procedure, the Mutual Recognition Procedure, and the

Decentralized Procedure. It is also possible to obtain a pure national authorization for products intended for commercialization in a single EU member state only. For more information, see “*Regulation.*”

## **Pricing and Reimbursement**

Healthcare is a major focus of governments around the world, with health services consuming a significant percentage of governments’ budgets. Sales of pharmaceutical products depend in part on the availability of reimbursement from third-party payors. Third-party payors include government health programs, managed care providers, private health insurers and other organizations. Pharmaceutical prices in developed nations are predominantly determined by government controlled authorities.

### *Europe*

The majority of European citizens obtain their healthcare benefits from state-organized programs. Governments in European nations exert significant control over the cost of care, either through price controls on prescription drugs, or reimbursement policies for prescription drugs sold within the country. The following is an overview of the systems in the EU5 countries.

#### *Germany*

In Germany health insurance has been compulsory since 2009. In 2015, around 89% of the population was covered by statutory health insurance with around 11% of the population covered by private health insurance. Statutory health insurance is provided by statutory healthcare funds (*Krankenkassen*). Through these funds, citizens have equal access to healthcare benefits from healthcare professionals who are licensed and provide healthcare services within the statutory healthcare system. For the employed, membership in the statutory health insurance system is mandatory unless their income rises above an annually determined threshold (currently €57,600 per year). Previously, Germany did not apply any form of external price referencing with other countries, and was itself a reference country for many EU member states. Under the Pharmaceuticals Market Reorganization Act, a revised reimbursement system introduced in 2014 within the German statutory health insurance, drugs employing new active pharmaceutical ingredients are allowed to set their prices for the first twelve months post-launch. A cost-benefit analysis is then launched within three months of introduction by the Institute for Quality and Efficacy in Health Care. For all drugs employing new active pharmaceutical ingredients, the manufacturer must prove the benefits over comparable available products, failing which the drug will be added to the existing reference pricing list. At the end of twelve months, the price of drugs that demonstrate additional benefits can be negotiated between drug manufacturers and the German federal association of statutory health insurance funds.

#### *United Kingdom*

The UK’s National Health Service (the “UK NHS”) was established in 1948 to provide universal healthcare to all residents. The UK NHS is financed partly by the government and partly from national insurance premiums, paid at source by employers and employees. Around 11% of the population currently has some form of private medical insurance. Reimbursements are subject to the Pharmaceutical Price Regulation Scheme (“PPRS”), which is a profit framework that allows drug manufacturers a defined return on capital and profit each year. The National Institute for Health and Clinical Excellence (“NICE”) was established in 1999 to review the cost efficiencies of medicines and discourage their use if their cost outweighed their benefit. NICE is an executive non-departmental public body of the Department of Health in the United Kingdom.

#### *France*

France has a social insurance system which provides near universal coverage for patients. The main scheme (*Régime General*) currently provides coverage for close to 90% of the population, and is predominantly financed through compulsory contributions made by employees and employers. Around 95% of the population has additional contracts with one of the supplementary sickness funds (including *mutuelles*, which are not-for-profit providers) which cover private medical insurance and out-of-pocket payments. In an effort to contain overall healthcare costs, the government closely controls the supply of prescription drugs in its capacity as both regulator and the industry’s largest customer.



## Spain

In Spain the government's pricing and reimbursement policy has been focused on cost-containment measures as it attempts to reduce its financial deficit, despite the fact that prices in Spain are among the lowest in the European Union. Since 2000, the government has introduced various price cuts, reductions to wholesale and retail margins and cuts to the list of reimbursable drugs. At a central level, the Spanish government has enacted four royal decree-laws since 2010 that have directly affected the pharmaceutical industry by means of price reduction of older pharmaceutical products, mandatory rebates on drugs and medical devices, and limitations of the numbers of products eligible for a reimbursement under the Spanish National Health Service.

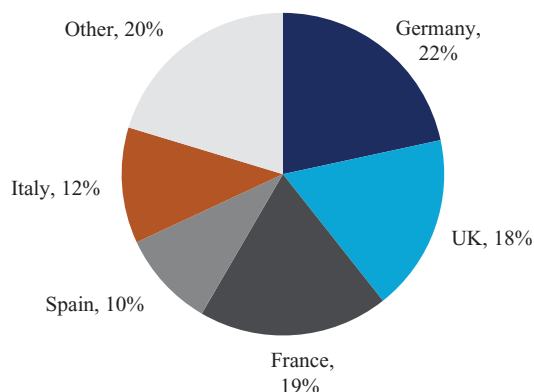
## Italy

In Italy the price setting of medicines reimbursed by the National Health Service (the "Italian NHS") is regulated at the central level by the Italian Medicines Agency ("AIFA"), the national regulatory authority. The Italian health care system is mostly public and, therefore, the price of drugs is determined under strict Health Technology Assessment processes. The prices of pharmaceuticals' reimbursements by the Italian NHS is set through direct negotiation between AIFA and the pharmaceutical companies. The Italian NHS is largely funded through national and regional taxes, supplemented by co-payments from patients for pharmaceuticals and outpatient care. Public sources make up approximately 4/5 of total health care spending, with private spending accounting for approximately 1/5, mainly in the form of out-of-pocket expenses. In Italy, only small fraction of total health-care expenditure is funded by private health insurance.

## European Generics Market

In 2016, the generic drugs market in Europe had €31 billion in net sales. The major markets in Europe, being Germany, France, the United Kingdom, Italy and Spain, are expected to grow at a CAGR of approximately 4.0% for 2017-2021. The graph below illustrates the European generic drug sales by region for 2016.

*European Generics Drug Sales by Geographic Region*



Source: Quintiles IMS. Note: Excludes Russia.

## Industry Dynamics

### *Generics Penetration*

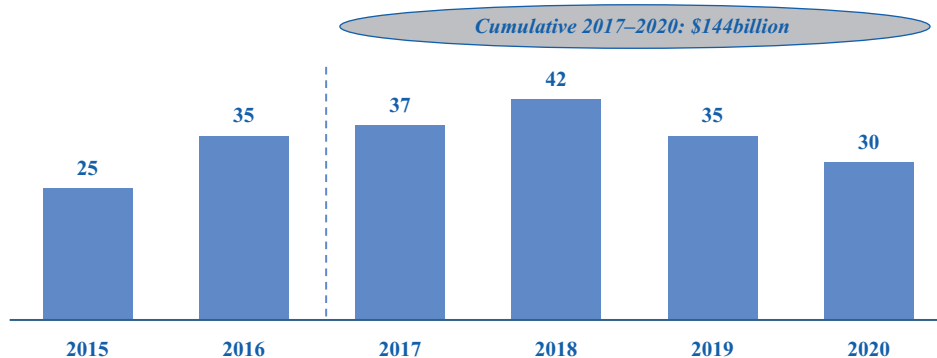
The size of the generics market differs widely across the various EU member states driven by various factors including market conditions for new medicines, pricing/reimbursement structures, prescribing/dispensing tradition and the prevalence of efforts to encourage generic use. In some member states such as the United Kingdom, Germany, The Netherlands and Denmark, generics are promoted and seen as a tool to contain rising pharmaceutical patent and trademark office costs and as such these member states have strong generics penetration rates in Europe of around 60-70%. In other markets such as Spain, Belgium and Italy, where the original pharmaceutical prices are relatively low, brand recognition is high and generics are not actively prescribed by doctors or promoted by healthcare insurance companies, there is a much lower level of generics market penetration of around 40-60% (source: Quintiles IMS).

There is an increasing policy shift in certain European countries to promote generic prescribing as part of overall healthcare reforms and to reduce the overall level of pharmaceutical expenditure which will likely lead to an increase in the level of generics penetration in European markets.

### ***Patent Expiry of Top-Selling Drugs***

The pharmaceutical market is expected to face a large number of patent expirations in the coming years, offering generic pharmaceutical companies opportunities to capitalize on this market. Furthermore, the value of the addressable market for generics from key brands losing exclusivity has increased in the majority of major European countries over the last three years (source: Quintiles IMS).

***Sales coming off-patent in Germany, France, Italy, Spain the United Kingdom (\$billion)***



Source: Quintiles IMS.

### ***Cost Containment Measures***

As noted above, many European countries are tightening reimbursement policies and increasing pressure on the price pharmaceutical companies can charge for their products leading to an increased focus on cost effective alternatives such as generics and OTC drugs.

### ***Increasing Demand in Emerging Markets***

Emerging markets are expected to generate higher growth in generics and OTC markets than Western Europe for the period from 2016-2020, with an expected CAGR for Russia, Ukraine and Romania over this period of 14.1%, 12.7% and 8.0% respectively (source: BMI Research). In addition, Serbia, Slovakia, Hungary, Poland and Czech Republic are expected to grow at a CAGR of approximately 5% over the same period (source: BMI Research). This growth is driven by rising disposable incomes, rising life expectancy and increased access to medical care. Despite having a larger proportion of branded generic and OTC products than more mature markets, governments in emerging markets are beginning to encourage the use of more cost-effective alternatives offered in generic drugs.

## **Summary Overview of the Five Largest Geographic Markets for STADA**

### ***Germany***

The German generics market had sales of approximately €6.7 billion in 2016 and has one of the highest levels of generic penetration of nearly 76% in 2016. Germany has adopted key price saving measures and a high price discount for generics, by a combination of reference pricing rebates, mandatory substitution, reimbursement shifts, and a well-established public tendering system which covers the majority of generic sales. The generics market is relatively fragmented with the top five players in Germany representing approximately 52% of the overall generics market. The German generics market showed growth of 4.3% in 2013-2016 and is expected to grow at a CAGR of 4.7% in 2017 to 2021 (source: Quintiles IMS, BMI Research).

OTC products represent an important product category in Germany representing approximately 35% of overall market revenues where brand recognition is important to consumers. The OTC market in Germany had sales of approximately €5.3 billion in 2016 and is expected to grow at a CAGR of 2.5% in 2017-2021, based on data received from Quintiles IMS. OTC products are not reimbursed by public health insurances but are paid for directly by the customers who continue to be influenced by brand recognition. In

Germany, OTC products are available in pharmacies, supermarkets and via online retailing. The OTC market is relatively consolidated with the top five players representing approximately 70% of the market (source: BMI Research).

### ***Russia***

The Russian market had sales of approximately €2.5 billion for 2016 and has a relatively high level of generic penetration of approximately 72% as of 2016.

The government funded segment covering hospitals and the Additional Medicines Supply Program (the “DLO”), which represents approximately 31% of the market, with purchasing largely conducted by tenders with the government looking for the lowest price, and with a strong preference for local producers. The majority of the market (approximately 66%) is driven by retail sales (largely via pharmacies) which is an out-of-pocket market paid for directly by patients and consumers. Branded generics and OTC products dominate the out-of-pocket market with INNs representing a very small share of the market. The state funded segment is expected to lag behind retail due to the expected freeze of budget growth and localization effects, with the retail sector expected to continue to drive the majority of the overall market growth with the consumer health market growing faster than the prescription market.

The Russian generics market is one of the most fragmented markets in Europe with the top five players by sales controlling approximately 17% of the market in 2014. The Russian market grew at a CAGR of 15.1% between 2013 and 2016, and is expected to continue to grow at a CAGR of 6.0% in 2017 to 2021.

The OTC market in Russia has sales of approximately €3.8 billion in 2016 and is expected to grow at a CAGR of 5.6% in 2017 to 2021—faster than the majority of Western European countries despite the recent trends in reduced disposable income. The majority of OTC products are non-reimbursable with OTC almost fully covered from out-of-pocket spend by consumers. Currently, OTC products are only available in pharmacies with no other mass market channels such as grocery stores or supermarkets and as such physician and pharmacist recommendations are key sales drivers for OTC products.

The Russian OTC market is relatively consolidated with the top five players in the Russian OTC market representing approximately 70% of the market in 2014 (source: Quintiles IMS).

### ***Italy***

The Italian generics market had sales of approximately €3.6 billion for 2016 and has one of the lowest levels of generic penetration in Europe of approximately 48% as of 2016 and an average level of pricing discount as a result of a high level of brand awareness and use of branded generics.

In Italy, a mandatory 50% price discount is applied to public providers of generic pharmaceuticals approved under national registration procedures, with wholesalers of generic pharmaceuticals restricted to a regulated margin of 3% for wholesalers of generic pharmaceuticals. Tenders are only used for procurement for public institutions such as hospitals. Physicians are free to indicate a specific brand of pharmaceutical to avoid generic substitution if they explicitly give reasons for the choice, but pharmacies are required to dispense a cheaper generic instead of a branded drug if not ruled out by a physician and if available. Patients can also opt to co-pay for a reimbursed pharmaceutical if the price being charged for the branded product is above the reference price.

The Italian generics market is relatively fragmented with the top five players by sales controlling approximately 32% of the market in 2014. Given the high level of brand awareness, the pharmacist and patient have the most influence on the purchasing decision. The Italian generics market is expected to grow at a CAGR of 4.4% in 2017-2021 (source: Quintiles IMS).

The Italian OTC market is expected to grow at a CAGR of 1.3% in 2017 to 2021. The Italian market is generally flat in terms of volume growth while the limited growth in terms of value is substantially determined by price increases. In addition, the market is concentrated in a limited number of players. Tenders are only used for procurement for public institutions such as hospitals. Physicians prescribing an off-patent drugs are required to specify the active ingredient and in addition they can add the name of the brand or the INN. Pharmacists are required to dispense the cheapest product according to the “Transparency List,” unless patients choose to co-pay in order to obtain a more expensive brand.

## *United Kingdom*

The UK generics market had sales of approximately €5.4 billion in 2016 and has one of the highest levels of generic penetration in Europe of approximately 70% in 2016.

The PPRS does not apply to generic versions of a pharmaceutical, which relies on competitive pricing dynamics and allows free pricing for generic pharmaceuticals as long as the price is below that of the patented original drug. Reimbursement is regulated at the retail level for Category M generics products (approximately 90% of generics products) based on a calculation that incorporates the volume-weighted average price charged by manufacturers.

The UK is a mature and highly genericized market with the highest overall level of price discounting in Europe (approximately 75%) as a result of the concentrated buying power of the NHS, although there is a limited use of tenders in the UK market outside of hospitals and government tenders on vaccines for national immunization schedules. Wholesalers are the key decision makers in the purchasing decision as both physicians and pharmacists prescribe and order only by the generic name.

The UK generics market is relatively fragmented with the top five players by sales controlling approximately 42% of the market in 2014. The UK generics market is expected to grow at a CAGR of 2.2% in 2017 to 2021.

The OTC market in the United Kingdom represented sales of approximately €1.7 billion in 2016 and is expected to grow at a CAGR of 1.3% in 2017 to 2021. The majority of OTC products are non-reimbursable and there is a low level of regulation in the UK market, particularly as the UK is a pioneer of switching established and well known prescription products to OTC. The nature to self-medicate is extremely prevalent in the UK, with product choice heavily influenced by a high level of in-store promotion and direct-to-consumer advertising. Grocery retail stores, supermarkets and pharmacies remain the major channels for the distribution of OTC products in the United Kingdom with online retailing growing slowly. The UK OTC market is relatively consolidated with the top five players representing approximately 75% of the market (source: Quintiles IMS).

## *Spain*

The Spanish generics market had sales of approximately €3.0 billion for 2016 and has a relatively low level of generic penetration of approximately 61% as of 2016.

Prices and margins for prescription drugs are tightly regulated. Recent pricing reform implemented in Spain expects all pharmaceutical prices (including both original drug and generics drugs) to equalize, with the government unlikely to reimburse products that do not reduce the list prices compared to the generics. While price is the most important factor in the Spanish generics market, pharmacists still have a relatively strong decision-making power as a result of the fragmented pharmacy landscape in the country.

Pharmaceutical margins on generics are tightly regulated for both pharmacies and wholesalers, although there is a limited use of tenders in the Spanish market except for certain regions (e.g. Andalusia) with pharmaceutical companies typically contracting centrally with the regional authorities.

The Spanish generics market is relatively fragmented with the top five players by sales controlling approximately 38% of the market in 2014. The Spanish market grew at a CAGR of 6.5% between 2013 and 2016, and is expected to grow at a CAGR of 5.2% in 2017 to 2021 (source: Quintiles IMS).

In Spain, OTC products account for a relatively small proportion of the overall market compared to prescription pharmaceuticals and generics, with total OTC revenues of approximately €645 million and is expected to grow at a CAGR of less than 1% from 2017 to 2021.

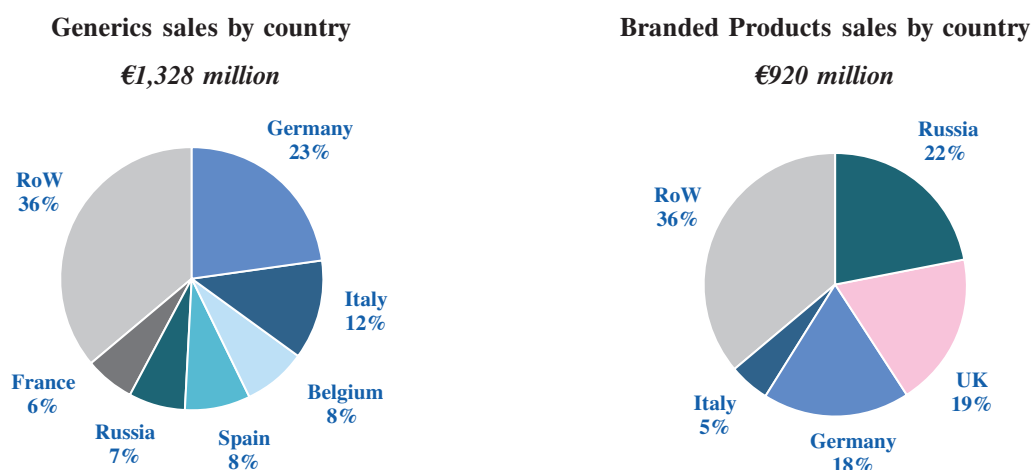
## BUSINESS

### Overview

We are a leading international healthcare and pharmaceuticals company focused on branded and unbranded generics, and have a successful track record spanning over 120 years. With more than 18,000 SKUs covering a large number of therapeutic areas, we develop, manufacture and market a diversified product portfolio including many category leaders. We distribute our products in approximately 125 countries, and have a direct presence in all major European markets, as well as in growth markets in the MENA region, Asia, South America and Australia.

We are the fourth-largest generics company by sales in Europe as of September 30, 2016. Our market-leading position provides us with a competitive advantage, which is bolstered by our scale, brands, reputation and the breadth of our product portfolio, as well as our local market expertise and established distribution channels built on strong relationships with wholesalers and pharmacies. We continually work to optimize and manage our costs, including through our cost-effective manufacturing footprint comprising 19 facilities across Europe, Asia and South America. Building off our tried and tested platform, we have released on average more than 600 new products per year since 2014. Our solid pipeline of new products provides us with further opportunities as our markets grow. We have a strong track record of growth, both organically and through focused acquisitions, and seek to grow our business and further improve our profitability by internationalizing successful products. In the twelve months ended June 30, 2017, we generated sales of €2,248 million and Pro Forma Adjusted EBITDA of €534 million.

We conduct our operations through two segments: Generics and Branded Products. The graph below sets forth each segment's sales by country for the twelve months ended June 30, 2017:



**Generics:** Through our Generics segment, we sell unbranded generics products, offering a lower-cost alternative to the substantially more expensive pharmaceutical originator products. Most of the products in our Generics segment require a prescription for purchase and are only available from pharmacies and hospitals. The market for prescription products is generally characterized by regulated pricing, with competition driven by reliability of supply and cost competitiveness. Patent expiries of originator drugs feed our product pipeline in the Generics segment, allowing us to leverage our distribution channels and local market knowledge to launch new generics products. The product portfolio in our Generics segment is diversified, with the top ten products accounting for only 17% of sales in our Generics segment for the year ended December 31, 2016. The top-five selling products (and their respective therapeutic areas) in our Generics segment for the year ended December 31, 2016, were: Tilidine Naloxone (pain relief), Atorvastatin (cholesterol), Pantoprazol (gastric ulcers/reflux), Epoetin zeta (anemia) and Diclofenac (pain relief/inflammation). The largest countries by sales in our Generics segment for the twelve months ended June 30, 2017, were: Germany, Italy, Belgium, Spain, Russia, France, Serbia and Vietnam. We generated sales of €1,328 million and Management Adjusted EBITDA of €286 million in our Generics segment for the twelve months ended June 30, 2017.

**Branded Products:** Our Branded Products segment primarily includes branded OTC products, which are typically available without a prescription, such as sunscreens, cough and cold medicines, DNA tests, cosmetics, glucose meters and a small range of branded prescription generics. Our best-known brands



include Ladival (sunscreen), Grippostad and Covonia (cough and cold) and APO-Go (Parkinson's disease). The market for products in our Branded Products segment is generally characterized by market-driven pricing, with brand strength, marketing strategy and customer loyalty important factors for success. Our portfolio of Branded Products is diversified, with the top ten products accounting for only 31% of sales in our Branded Products segment for the year ended December 31, 2016. The top-five selling brands (and their respective therapeutic areas, prescription requirements and markets in which they are sold) in our Branded Products segment for the year ended December 31, 2016, were: APO-Go (Parkinson's disease, prescription required, available in 31 countries), Grippostad (colds, OTC, available in 29 countries), Snup (rhinitis, OTC, available in 18 countries), Fultium (vitamin D deficiency, OTC, available in two countries) and Vitaprost (prostate disease, OTC, available in two countries). The largest countries by sales in our Branded Products segment for the twelve months ended June 30, 2017, were: Russia, the United Kingdom, Germany, Italy and Vietnam. We generated sales of €920 million and Management Adjusted EBITDA of €214 million in our Branded Products segment for the twelve months ended June 30, 2017.

## **Our Strengths**

### ***Organic Growth Underpinned by Attractive Market Fundamentals***

Increasing demand for our Generics and Branded Products is driven by global growth factors in the pharmaceutical industry, including population growth, aging societies, increased incidence of chronic disease, advances in medical therapies and increasing self-medication and health awareness. According to Quintiles IMS, the global generics market is expected to grow at a CAGR of 8% from 2017 to 2021, driven by these growth trends and increasing generics penetration. Generics penetration in the market for prescription products is partly driven by cost-containment regulation that incentivizes the use of generics to counteract the increasing cost pressure facing government-sponsored health programs. Another key driver of generics penetration is patent expiries. According to publicly available estimates, a wave of patent expiries in developed markets is expected to push originator products with sales of more than \$140 billion in aggregate into the generics market between 2017 and the end of 2020.

Given that our Branded Products segment mostly consists of OTC products, growth in this segment is additionally driven by factors influencing the self-payment and self-care market for health and well-being-related products. We expect demand for self-payment and self-care products to benefit from the ongoing trend among regulators to transfer prescription drugs to OTC status, which decreases the cost burden on the public health system and expands the market opportunity for companies offering branded OTC products such as us. Additionally, demand for OTC products is expected to be driven by rising income levels and the emerging trend toward greater health awareness, which we believe results from ongoing research on disease prevention, data access and increasing levels of education. According to Quintiles IMS, the global OTC market is projected to grow at a CAGR of 5% from 2017 to 2021.

### ***Well-Established Generics Player with Leading Positions in Our Generics Segment and an Attractive Portfolio in Our Branded Products Segment***

We are the fourth-largest generics company by sales in Europe as of September 30, 2016. In our Generics segment, based on Quintiles IMS data, we hold a top-three market share in generics sales for the year ended December 31, 2016, in Germany, Russia, Spain and Belgium, and are the fourth-largest player in Italy. Even though these markets are generally considered mature, there is significant room for increased penetration and further growth in generics in these markets—for example, according to Quintiles IMS, generics penetration is below 50% in Italy and Belgium, below 65% in Spain and below 75% in France, and the generics industry in Germany, Spain and Russia is expected to increase by a CAGR of 5%, 5% and 6% from 2017 to 2021, respectively. Continued growth in the generics industry in countries where we are already market-leaders provides us an opportunity to continue to grow sales in our Generics segment.

We also benefit from an attractive portfolio of products in our Branded Products segment, including the category-leading therapies for cough and cold, sun protection, vitamin deficiency and many leading brands across therapeutic areas in Germany, the United Kingdom, Russia and other countries. For the year ended December 31, 2016, more than two-thirds of sales of our top-30 products in our Branded Products segment were of products with a top-three market position in their respective countries. Many of these leading products have been category leaders in their respective markets for many years, providing us with an opportunity to leverage our local marketing expertise to drive the internationalization of these leading brands into new markets and further grow sales in our Branded Products segment.

### ***Competitive Advantage Through Scale, Local Market Expertise and Established Relationships***

Our market-leading position provides us with a competitive advantage over any new entrants in our markets, bolstered by our scale and the breadth of our product portfolio, as well as our local market expertise and established distribution channels built on strong relationships with wholesalers and pharmacies.

The sale and distribution of pharmaceutical products such as branded and unbranded generics is regulated in most countries. Because such regulatory regimes are highly-fragmented, competitors trying to enter a new market have to navigate a variety of complex regulatory requirements, tender and reimbursement regimes and distribution channels. This provides an advantage to existing, large scale players with a long history of local expertise, such as us. We are highly familiar with the regulatory requirements in our key markets and have developed leading expertise in dealing with regulatory and distribution issues, which enables us to minimize the time and cost required to obtain regulatory product approvals while maximizing the number of countries we cover.

Germany, for example, operates a public tender system that covers the majority of prescription generic sales, which necessitates a modestly sized sales team with significant tender experience. In Russia, on the other hand, the distribution of prescription generics products is mostly patient-driven after the first prescription, which significantly increases the need for a larger sales force targeting patients indirectly via doctors. Our local market experience means that we are adept at navigating these and other regimes and able to serve each market with a tailored sales and distribution approach. Building on our long history and our origins as a pharmacy cooperative, we have developed deeply-ingrained relationships with the key distribution channels in our markets, which we believe are difficult to replicate. Our sales forces are trained and experienced in identifying the right marketing strategy in each country, and we maintain a direct sales presence in more than 30 countries, which allows us to stay close to our customers and distributors and internationalize successful brands.

### ***Diversified Across Geographies, Therapeutic Areas, Products and Brands***

We are diversified across geographic markets, products, therapeutic areas, customers and suppliers. We market our products in approximately 125 countries with largely uncorrelated end-markets, with our five largest markets in our Generics segment accounting for 58% of our sales and our five largest markets in our Branded Products segment accounting for 68% of sales in their respective segments, in each case for the twelve months ended June 30, 2017.

With more than 18,000 SKUs, we offer a highly-diversified product portfolio and are not dependent on the success of any single product. In the year ended December 31, 2016, the top ten products by sales in our Generics segment accounted for only 17% of Generics sales, and the top ten products in the Branded Products segment accounted for only 31% of Branded Products sales. Our product offering is diversified across a large number of therapeutic areas and benefits from a high rate of new product launches, with a strong pipeline for the next four to five years.

The combination of our Generics and Branded Products segments provides us with significant benefits in terms of diversification and synergies. The pricing of prescription generics is regulated, and volume demand is relatively independent of economic conditions, such that our Generics business has historically delivered strong and stable sales and cash generation. Our Branded Products segment, on the other hand, faces fewer regulatory requirements. OTC products can be brought to the market more quickly, and pricing is unregulated and driven by competition. As a result, our highly-recognizable brands, customer loyalty and the lack of competition in certain specialty areas provide for attractive pricing for products in our Branded Products segment. Moreover, our scale and local market expertise allow us to respond relatively quickly to emerging consumer trends. Our presence in both segments allows us to deepen our local market expertise and regulatory know-how, exploit economies of scale in production, packaging and marketing and maintain our long-standing relationships with our distribution channels.

### ***Diversified and Efficient Manufacturing Footprint Across the Globe***

We have a cost-effective manufacturing footprint that is diversified across 19 manufacturing sites. Our own production facilities account for approximately 70% of our sales, with the balance being outsourced. Furthermore, approximately 75% of our in-house production volume is manufactured in lower-cost countries in Eastern Europe, Asia and South America. This provides us with a relatively low-cost and highly flexible production base.

Our manufacturing sites are regularly audited and certified by supervisory bodies, with 14 of our sites being accredited under stringent EU standards. Moreover, local production helps provide a natural hedge for currency fluctuations and regulatory restrictions, and at times is an advantage in the marketing of products in certain countries. We continuously seek to improve and manage our costs in order to increase our margins and potential for growth and stable cash flows, and we intend to further streamline and improve certain aspects of our manufacturing operations.

#### ***Attractive Financial Profile with Strong Cash Flow Generation***

We have a stable underlying business that has delivered consistent sales growth and resulted in high cash flow generation in recent years. Our constant-currency sales increased at a CAGR of 4% from December 31, 2014 to June 30, 2017. We had Cash Conversion of 83%, 74% and 76% for the years ended December 31, 2014, 2015 and 2016, respectively. While our Management Adjusted EBITDA margins have been relatively stable (21%, 18%, 19% and 19% for the years ended December 31, 2014, 2015 and 2016 and the twelve months ended June 30, 2017, respectively), we see significant upside in our ability to drive cost savings and increase our margins, which we believe can be further improved. Pro forma for the cost savings we expect to realize by the end of 2018, our Pro Forma Adjusted EBITDA margin for the twelve months ended June 30, 2017, was 23%. Our business has significant operating leverage and low ongoing liquidity requirements. We have historically experienced only modest seasonal net working capital movements, and management has maintained a high degree of discipline around capital expenditures. As a company focused on generics, we typically incur limited development expenses and no material research expenses.

#### ***Highly Committed Sponsors with Key Management Support***

We intend to draw from the market expertise, business relationships, knowledge and experience of our Sponsors, Bain Capital and Cinven. Both our Sponsors have strong healthcare expertise and an extensive and successful track record of investing in companies in the healthcare sector. For example, Bain Capital increased sales by 49% within two years and significantly increased the workforce at Bio Products Laboratory, creating a life sciences champion in the United Kingdom, while Cinven combined two large laboratory diagnostics companies, Synlab (Germany) and Labco (France), at the end of 2015, to form Synlab Group (headquartered in Germany), the new European champion in laboratory diagnostics. In addition, Cinven in 2012 invested in Mercury Pharma and Amdipharm and merged the two businesses to create AMCo, a major player in the fragmented generics market in the United Kingdom. Cinven's strategy centered on continued buy and build, further internationalization and applying best practice across both companies, and resulted in AMCo's sale to TSX/Nasdaq-listed Concordia Healthcare Corp for £2.3 billion in 2015. Both Sponsors also have a strong track record of driving cost savings and improvements in margin, while at the same time growing their portfolio companies both organically and through targeted acquisitions.

In addition, the Sponsors have announced their intention to appoint Dr. Claudio Albrecht as new chief executive officer and Mr. Mark Keatley as new chief financial officer of STADA, following the reconstitution of the Target's supervisory board (the "Supervisory Board"). Both Dr. Albrecht and Mr. Keatley have significant experience in the global generics industry, where they have led highly successful growth strategies at major corporations. Dr. Albrecht was chief executive officer and chairman of generics company Actavis Group until its sale to Watson in 2012. Under his leadership, Actavis grew its revenues to more than €2 billion and expanded its international footprint significantly. Previously, he had been chief executive officer of Ratiopharm Group, having started his career in the generics business of Sandoz. Mr. Keatley served as chief financial officer of Actavis Group until its sale in 2012. He also has strong expertise in managing growth and transformation strategies in the generics industry and beyond. Previously he was chief financial officer of Famar, a European contract manufacturer for the healthcare industry. He has also worked in medical diagnostic services, investment banking and private equity. Dr. Albrecht and Mr. Keatley have most recently worked at Albrecht, Prock & Partners, a global strategy consulting firm with a focus on the pharmaceutical and healthcare industry. There, they advised on multiple major engagements in the generics and broader healthcare sector, including supporting Bain Capital and Cinven during the due diligence process in connection with the Takeover Offer. Dr. Albrecht is expected to lead STADA's transition under its new majority owners in the short-to-medium term and to assume a non-executive leadership role in due course, once a new CEO has been recruited who will lead STADA in the long term. See "*Recent Developments.*"

In the interim, we expect to benefit from the significant industry experience and expertise of our interim CEO Mr. Engelbert Coster Tjeenk Willink, a 25-year veteran of the pharmaceutical industry, and our interim CFO Dr. Bernhard Düttmann, previously CFO of two DAX-listed companies, as they guide the Target together with the Supervisory Board through the current phase of the Target's transition. Chief technical operations officer, Dr. Barthold Piening, previously chief operating officer at Acino International, will also continue in his role on the Target's executive board (the "Executive Board"). The Target also continues to benefit from its deep bench of operational management, which will continue to bring to bear its deep local experience with global scale and expertise.

## **Our Strategy**

We and the Sponsors have developed the following strategies:

### ***Maintain and Grow Market Leading Positions by Leveraging Scale, Highly-Recognizable Brands and Industry Growth Factors***

As an established market leader, we intend to continue to use our scale and highly-recognizable brands to reinforce and grow our leading market positions in the key countries and categories in which we operate. We believe that we are well-positioned to benefit from global growth factors in the pharmaceutical industry, and as a large player highly diversified across geographies, products and brands and production, we intend to continue to leverage our scale and broad local expertise to support our base business, improve our margins and expand our geographic footprints along with the markets in which we operate.

### ***Continue to Grow Our Business, Including by Internationalizing Successful Brands in Our Branded Products Segment***

The products in our Generics segment comprise our core business, providing us with a stable sales base and strong cash generation. We see significant potential to expand sales growth in this segment by expanding in markets with relatively low penetration rates and supplementing our existing portfolio with biosimilars, while also benefiting from global growth trends in the pharmaceutical industry.

At the same time, we intend to build on our key brands and to grow our Branded Products segment by strengthening our market shares in our existing geographies and introducing our local category leaders into new, international markets. Our intention is to continue to gradually increase the percentage of sales and EBITDA generated by our Branded Products segment. In addition, we plan to continue developing products for specialty areas, which tend to benefit from attractive pricing, to further expand the scope and improve the profitability of our Branded Products segment. We also intend to selectively explore acquisitions that provide attractive opportunities to grow.

### ***Increase Profitability by Continuing and Expanding Upon Management's Strategic Cost Savings Initiatives***

Our management has devised, and the Sponsors intend to continue and expand upon the implementation of, certain cost savings initiatives from which we expect to derive significant cost savings and improve our margins. By the end of the year 2018, we expect run-rate annualized savings of approximately €82 million per year to arise from these cost savings initiatives. In terms of cost of sales, management has put in place initiatives to improve direct product procurement by renegotiating supply contracts with our highly fragmented supply base and to create operational improvements in manufacturing through insourcing certain third-party manufactured products and streamlining product lines, while also improving our supply chain setup and organization through hub, route and order size optimization. To achieve these cost savings we intend to create technology centers of excellence, roll out an operating expense / lean project management program and reduce our SKU complexity. For general and administrative expenses, we believe we can achieve cost savings by unifying our IT landscape across our footprint through consolidating IT systems and contracts, reducing non-personnel general and administrative spending and optimizing advisory and supervisory board costs, while also optimizing our sales force structures by streamlining our legal entities. We expect to incur €70 million in upfront costs to achieve these cost saving initiatives.

### ***Maintain Financial Discipline to Support Deleveraging***

We intend to maintain a high focus on continuing improvement in cash flows, supported by, among other things, rapid EBITDA growth resulting from management's and the Sponsors' cost savings initiatives on top of global growth trends in the pharmaceutical industry. For our business, which benefits from significant operating leverage and low ongoing liquidity requirements, we intend to maintain discipline in



capital expenditures broadly in line with historical capital expenditures. We expect improved cash flows and discipline in capital expenditures to provide a strong liquidity cushion for our ongoing business needs, which will be further bolstered by our €400 million Revolving Credit Facility and the long-dated maturity profile of our other debt. In terms of risk management, we are partly naturally hedged for transaction currency fluctuations where our production facilities are located in the same country as the end consumer, but we also intend to continue to implement exchange rate hedging policies through natural hedge strategies and derivatives. As a result, we believe that the successful execution of our strategies will allow us to progressively de-lever and further improve cash flow generation. Notwithstanding our intention to de-lever and our focus on organic growth, we also intend to selectively consider acquisition opportunities as and when they arise.

## **Our History**

Our historical roots can be traced back to a pharmacist's cooperative founded in 1895 in Dresden, Germany, when a group of pharmacists started manufacturing pharmaceutical products under the name Standardarzneimittel Deutscher Apotheker. Over the course of our history of over 120 years we have leveraged our sustainable approach to business and a strategy geared for the long-term to expand from a small pharmaceutical undertaking focused on its domestic German market, into a leading player in the international healthcare and pharmaceutical market:

- In 1957, we transferred our headquarters to its current location in Bad Vilbel.
- Shortly thereafter, in 1961, we started shifting our manufacturing activities from local production by our member pharmacies to centralized production facilities in Bad Vilbel.
- At the beginning of 1970, we converted our corporate form from a cooperative into a corporation to facilitate capital formation for our future expansion.
- In 1975, we expanded our product portfolio by venturing into the nascent generics market.
- In 1986, we leveraged our access to capital and began our expansion into international markets, first through the purchase of subsidiaries in our neighboring countries, Switzerland and Austria, and later through acquisitions in Asia, including Hong Kong in 1992.
- In 1996, we acquired ALIUD PHARMA GmbH in Germany, which allowed us to expand our generics portfolio to a second, separate product line. In the following year, we branched out further into the Czech Republic and France.
- In October 1997, we consummated our initial public offering (IPO) and listed our shares for official trading on the stock exchanges in Frankfurt and Düsseldorf. Within less than five years of our IPO, our shares were included in the renowned MDAX segment of the Deutsche Boerse Group. Today, our shares are listed on Xetra and the stock exchanges of Frankfurt, Berlin, Düsseldorf, Hamburg, Hannover, Munich and Stuttgart.
- As of 2005, we accelerated our international expansion and acquired companies in Thailand, Ireland, the Philippines, the United Kingdom, Russia, Portugal and Serbia. In addition, we purchased several portfolios of Branded Products, as well as the rights to individual Branded Products.
- In 2006, for the first time our sales exceeded the threshold of €1 billion.
- The introduction of Silapo in 2008, a pharmaceutical product used to treat anemia resulting from chronic kidney failure and chemotherapy, marks our first commercialization of a biosimilar. In the following years, we began in-licensing biosimilars from highly specialized suppliers, in order to develop our biosimilars portfolio in a cost-effective way.
- In 2013, we moved into the field of individualized drug therapy with the introduction of multiple DNA tests, and thereby developed our diagnostic portfolio. Over the course of the year the offering was expanded into a diverse range of self-tests. Furthermore, with the acquisition of the British OTC supplier Thornton & Ross, we took another step in developing our increasingly important Branded Products portfolio.
- In 2014, for the first time our sales exceeded the threshold of €2 billion.



## **Our Products**

### ***Overview***

#### ***Generics and Branded Products***

We are a leading international healthcare and pharmaceuticals company, which develops, manufactures and markets branded and unbranded generics. Generics are the chemical and therapeutic equivalents of reference branded originator drugs and can be introduced into the market once the patents on the originator drugs have expired. Despite their high quality, generics are substantially less expensive than the originator products because the original research costs and clinical trials do not have to be repeated.

In our Generics segment, we sell unbranded generics mostly comprised of prescription products, thereby offering a lower-cost alternative to the substantially more expensive originator products. In most countries, the pricing of prescription products is regulated either directly or indirectly through reimbursement rates payable by the health insurance system. Unbranded generics are typically labelled with the name of their manufacturer and marketed under the chemical name of their active pharmaceutical ingredient. The chemical name is also referred to as the generic name or INN. Examples of unbranded generics that we market under their chemical name include Tilidine Naloxone (pain relief) and Atorvastatin (elevated cholesterol levels).

Our range of Branded Products is diverse. It mainly includes branded generics that can be sold over-the-counter, which are also referred to as branded OTC or non-prescription products. OTC products can be purchased without the supervision of a healthcare professional such as a physician, and without a prescription. Examples include sunscreens, cough and cold medicines and pain relievers. Additionally, our Branded Products portfolio features non-generic pharmaceutical products, such as DNA tests, cosmetics, glucose meters and vaping products. Lastly, our range of Branded Products comprises a small range of branded prescription generics. Our best-known brands include Ladival (OTC), Grippostad (OTC) and Covonia (OTC) and APO-Go (prescription). OTC drugs are tried and tested products which have been in the market for many years and are not typically protected by patents but rely on brands to differentiate the products. Prices of Branded Products are much more flexible than those of Generics and can be set on the basis of the competitive advantage a product has over its competitors.

#### ***Categorization***

Whether products are categorized into the Generics or Branded Products segment depends on our marketing strategy. Marketing of prescription generics is generally price-driven, and where we decide to compete mainly on that basis and market generics under their chemical name, we classify them into the Generics segment. In some cases, we assign generics to the Branded Products segment because we are able to compete on the basis of product quality, brand awareness and brand loyalty among customers, such that we are able to charge premium prices.

In most countries, our portfolio of Branded Products is predominantly comprised of OTC products such as Ladival (suntan), Grippostad (cough and cold) and Aqualor (sinus infection, sore throats). In the United Kingdom, however, our range of Branded Products also includes major prescription products such as APO-Go (Parkinson's disease). Our OTC products and medical devices are globally assigned to the Branded Products segment.

#### ***Delivery Forms and Packaging***

Our product portfolio comprises a broad range of dosage forms such as tablets, capsules, suppositories, dry powder for reconstitution as suspensions or liquids. We offer a large spectrum of packaging sizes and various delivery forms, utilizing either immediate or sustained release delivery. We generally do not market injectables.

#### ***Diversification Across Therapeutic Areas***

Our pharmaceutical product offering is well-diversified across therapeutic areas and focuses on the following categories: allergies and hay fever; diagnostics; diabetes; coughs and colds; fitness and vitality; sore throats; skin diseases; cardiovascular diseases; gastrointestinal conditions; muscle and joint conditions; histamine intolerance; lactose intolerance; stress relief and sleep disorders; menstrual dysfunction and menopause; pain and fever relief; pregnancy and lactation; sun protection; and metabolic conditions.

### *Diversification Across Products*

With more than 18,000 SKUs on offer, we carry a highly diversified product portfolio. The breadth of our portfolio also ensures that we are not dependent on the success of any single product, with no single product accounting for more than 8% of sales in the year ended December 31, 2016. In the same period, the top ten products by sales in our Generics segment accounted for only 17% of Generics sales, and the top ten products in the Branded Products segment accounted for only 31% of Branded Products sales. Our product offering also benefits from a healthy rate of replenishment. We have released on average 600 new products (primarily in our Generics segment) per year since 2014, with a strong pipeline for the next four to five years. See “—Research and Product Development.”

### *Diversification Across Geographies*

Our SKUs are marketed in 125 largely uncorrelated markets in Europe, the MENA region, Asia, Australia and the Americas, which provides us with a high degree of diversification across geographies.

### ***Our Generics Portfolio***

#### *Overview*

In our Generics segment, we sell a well-diversified portfolio of unbranded generics mostly comprised of prescription products. Generics accounted for €1,280.7 million, or 60%, of our sales in the year ended December 31, 2016.

#### *Top Five Generics*

Our portfolio of Generics includes numerous market leaders in mature product categories.

The table below shows our top five Generics products by sales in the year ended December 31, 2016, including their respective market share and market position in their reference market in major geographies, according to Quintiles IMS.

Product Name	Therapeutic area	Prescription/ OTC	2016 Sales (€ million)	2016 Country   Market Position   Market Share
Tilidine Naloxone . . .	Pain relief	Prescription	43.6	Germany   #1   87%
Atorvastatin . . . . .	Elevated cholesterol level	Prescription	24.4	Belgium   #1   49%
				Spain   #3   12%
				Italy   #3   11%
Pantoprazole . . . . .	Gastric ulcer/reflux	Prescription	22.4	Belgium   #1   47%
				Spain   #3   9%
				Italy   #5   10%
Epoetin Zeta . . . . .	Anemia	Prescription	22.4	Germany   #1   48%
Diclofenac . . . . .	Pain/inflammation	Prescription	20.6	Russia   #1   58%

#### *Competitive Drivers*

With prescription generics pricing regulated, the key determinants of success in most of our Generics markets are price (particularly where contracts are put out to tender), as well as scale, a competitive cost structure, local market expertise, established distribution channels, strong relationships with suppliers and portfolio breadth.

We were the fourth largest generics company in Europe as of September 30, 2016, and the resulting scale advantage, together with our efficient manufacturing footprint across lower-cost countries, our extensive local market expertise that we have acquired since our inception in 1895 and our deeply ingrained relationships with suppliers that we have established over our long history all contribute to this leading position in the Generics market. As a one-stop-shop, we are also committed to providing a full portfolio in most of our markets. This gives us a competitive advantage, as customers often request a multitude of different dosage forms and strengths when placing orders for Generics, which we can reliably supply, whereas many of our competitors do not have this capability and thus cannot fulfill these orders. The breadth of our portfolio also helps us to favorably exploit economies of scale in production, packaging and marketing.

### *Key Geographic Markets*

We operate a large prescription drug business in Germany, Italy, Spain, Russia, Belgium and Serbia. The table below shows these markets by Generics sales in the year ended December 31, 2016, including our market share and market position according to Quintiles IMS:

	2016 Sales (€ million)	2016 Market Position	2016 Market Share
Germany . . . . .	308.0	#3	10%
Italy . . . . .	157.7	#4	15%
Spain . . . . .	105.4	#3	10%
Russia . . . . .	92.5	#1	5%
Belgium . . . . .	90.7	#1	53%
Serbia . . . . .	55.8	#1	30%
<b>Total . . . . .</b>	<b>810.1</b>	<b>—</b>	<b>—</b>

### *In-Licensed Products*

With respect to certain patented originator products and biosimilars we have entered into license agreements with highly specialized, high-profile suppliers under which distribution rights are licensed to us on attractive commercial terms. Due to our local market expertise, established distribution channels and geographic reach into approximately 125 countries, we are an in-licensing partner of choice.

In 2015, the number of newly expired patents on biologics in Germany, for the first time ever, exceeded newly expired patents on chemical-synthetic products, which contributed to the significant increase in the global generics market from 2014 to 2015. In addition, it is estimated that twelve of the best-selling biologics in terms of sales will have lost their patent protection by 2020. We believe that this is evidence of a secular trend toward the increasing importance of biosimilars in the future global generics market, which is partly due to the fact that biosimilars can be produced at significantly lower cost than the original biologics. This means that these products can substantially reduce the cost pressure faced by the global national healthcare markets and insurance carriers. As a result, we are committed to the future growth of biosimilars and believe that in-licensing constitutes a relatively low-risk and cost-effective step toward developing our own biosimilars portfolio.

We currently market two biosimilars, SILAPO, an epoetin biosimilar, and Grastofil, a filgrastim product. In addition, we have in-licensed five further biosimilars, including pegfilgrastim, rituximab, teriparatide, adalimumab and bevacicumb. We and our cooperation partner also received a positive opinion from the competent European approval authority, the EMA, for teriparatide at the end of 2016, before approval was granted by the EU commission in 2017.

We intend to grow our Generics portfolio through the expansion of our offering of biosimilars from two to seven products by 2020, while continuing to pursue an in-licensing strategy.

### *Our Branded Products Portfolio*

#### *Overview*

Our well-diversified portfolio of Branded Products includes, among others, pain relievers, cough and cold medicine, sunscreens, cosmetics, rhinitis medicine, probiotics and dietary supplements, sleeping aids, diagnostics, glucose meters, vaping products and branded prescription generics. Branded Products accounted for €858.5 million, or 40%, of our sales in the year ended December 31, 2016.

#### *Pain Relief*

One of the chief categories in our product portfolio is pain relief, and we carry products targeting general pain, migraines, fever induced pain, toothache, muscle pain, menstrual pain and others. We sell many delivery forms including tablets, syrups, suspensions and suppositories. Some of our best-known brands include Mobilat, Ibudolor, Neuranidal and Pfeil.

#### *Cough and Cold Medicines*

Our product range comprises a wide variety of cough and cold medicines, which can be administered as effervescent tablets, syrups, sprays, gels and capsules. Our key brands in the category include Grippostad,

which ranks first in Germany, Covonia, which is one of the most recognizable brand names in the United Kingdom, as well as Aqualor with respect to Russia.

### *Sunscreens*

We sell sunscreen products in various delivery forms, including creams, sprays, lip balms, and sticks. Our key brand in the sun protection space is Ladival which is the first-in-class product in Germany in terms of brand recognition among pharmacists. Many of our competitors' sunscreen products contain synthetic compounds derived from petroleum and natural gas (petrochemicals) which are absorbed by the skin. Our sunscreen offering is differentiated in that it is derived from largely natural sources and free from artificial fragrances, coloring, petrochemicals and parabens which are known to cause allergies in some cases. In keeping with this positioning, we distribute our Ladival products exclusively through pharmacies.

### *Cosmetics*

Under the Claire Fisher brand, which we acquired in 2014, we market age control products, moisturizers, exfoliators, creams, tonics, lotions, shower gels and liquid soaps. As in the case of our sunscreen products, we mainly target health-conscious consumers who are drawn to mostly natural ingredients. Accordingly, we developed our portfolio in close collaboration with dermatologists and other experts and took great care in ensuring that all our cosmetics products are free from animal-derived ingredients, nanotechnology, genetically modified plants, artificial colors, petrochemicals and parabens.

### *Rhinitis Medicine*

Rhinitis medicine alleviates the symptoms of allergic rhinitis (commonly known as hay fever). Allergic rhinitis is inflammation of the inside of the nose caused by an allergen, such as pollen, dust, mold, or flakes of skin from certain animals. Our most-recognizable brands include Snup, Cetirizin and Loratadin.

### *Probiotics and Dietary Supplements*

Our portfolio of Branded Products also includes probiotics and dietary supplements aimed at the self-improvement market. Examples include vitamin supplements, lactose digestants, magnesium supplements and immune system boosters.

### *Diagnostics*

In our diagnostics business, we market high-quality tests and testing devices both to healthcare professionals and consumers. We believe this responds to an emerging trend, as consumers are becoming increasingly health conscious and concerned with disease prevention. Our self-tests can be applied at home and provide consumers with a quick and simple way to determine whether symptoms they experience may be a first indication of a new or recurring illness. Our portfolio includes tests to detect colorectal cancer, iron deficiency, gluten intolerance, bacterial infections and the menopause. Tests offered for professional use include DNA tests to determine the efficacy of breast cancer therapies and side-effects of anti-cholesterol therapies, as well as to tailor therapies for myocardial and stroke prophylaxis and antidepressants to the individual requirements of each patients. In addition, we sell Ebola tests which provide a quick and reliable check for this disease.

We also offer glucose meters and various accessories to enable diabetic patients to monitor and treat their illness both at home and on the move.

### *Branded Prescription Generics*

In certain cases we assign prescription generics to the Branded Products business. This largely occurs where we can charge premium prices based on product quality, brand awareness and brand loyalty and where there is a general lack of competition. One example is APO-Go, which is a category leader in the treatment of Parkinson's disease in the United Kingdom.

### *Top Five Branded Products*

Our broad and well-diversified portfolio of Branded Products includes numerous mature category leaders in local markets, many of which have not yet been internationalized. We believe this provides us with further potential to grow our sales organically.

More than two-thirds of the sales generated by our top-30 Branded Products in 2016 were due to products ranking as one of the top three in their respective countries.

Set forth below are our top five Branded Products by sales in the year ended December 31, 2016, including their respective market share and market position according to Quintiles IMS:

Product Name	Therapeutic area	2016 Sales (€ million)	2016 Country   Market Position   Market Share
APO-Go . . . . .	Parkinson's disease	66.6	United Kingdom   #1   99%
Grippostad . . . . .	Cough and cold	43.7	Germany   #1   30%
Snup . . . . .	Rhinitis	24.2	Russia   #1   11%
Fultium . . . . .	Vitamin D deficiency	22.6	United Kingdom   #1   38%
Vitaprost . . . . .	Prostate diseases	20.0	Russia   #2   21%

#### *Portfolio Strategy*

In contrast to our Generics segment, we generally pursue a selective portfolio approach in the Branded Products segment. As a result, we analyze each geographic market and only include those products in our portfolio, which we believe are in low supply despite strong demand. Using our judgment, we focus only on the most recognizable brands, which are well-known to our end-customers and ideally the local market leader, and have growth opportunities largely independent of local market trends solely on the basis of promotional and sales support.

#### *Competitive Drivers*

We believe the key drivers behind competition in the Branded Products space include brand recognition, customer loyalty, established distribution channels and recommendations from pharmacists. We believe that we are well-positioned to compete in this market in light of our attractive portfolio of Branded Products which includes category leaders in mature markets.

#### *Key Geographic Markets*

Our largest markets in terms of sales of Branded Products include Germany, Russia, the United Kingdom, Italy and Vietnam. The table below shows our five largest markets by Branded Products sales in the year ended December 31, 2016:

(€ million)	2016 Sales
Germany . . . . .	177.4
United Kingdom . . . . .	175.4
Russia . . . . .	150.1
Italy . . . . .	43.9
Vietnam . . . . .	36.7
Other . . . . .	275.0
<b>Total . . . . .</b>	<b><u>858.5</u></b>

#### *Trends in Sales Mix*

In recent years, the sales contribution from our Branded Products has increased. This shift in our sales mix resulted mainly from organic growth, as well as our targeted efforts to increase sales in our Branded Products segment through acquisitions. Our acquisition of Thornton & Ross in the United Kingdom, for example, provided us with a leading platform to market our Branded Products in this market. We intend to continue to focus our growth efforts on Branded Products, as they face significantly fewer regulatory requirements than Generics. To a lesser extent, the shift was driven by the reclassification of certain Generics into Branded Products.

We believe the combination of Generics and Branded Products provides significant benefits in terms of synergies. Our presence in both segments allows us to deepen our local market expertise and regulatory know-how, exploit economies of scale in production, packaging and marketing and intensify our long-standing relationships with our distribution channels.



## **Our Customers**

We sell our products to a diverse customer base including consumers, doctors, pharmacies, hospitals, mail-order companies, buying groups, wholesalers and other service providers in the healthcare market, as well as public or private health insurance organizations. The importance of these customer groups varies by country. Germany has a well-established tender scheme in place, such that the key purchase decision is made by the public health insurance system. In our Belgian business, which mostly focuses on Generics, the most important customer group is the doctors writing prescriptions. In Italy and Spain, pharmacies have significant discretion to decide which medication is dispensed, such that they are considered the key decision maker. In Russia, where our product portfolio is heavily weighted toward Branded Products, our key customers are consumers in the self-payment market. Germany's public tendering system covers the majority of generics sales, in which we have operated successfully. In Italy, the United Kingdom and Vietnam, tenders are used for procurement by public institutions such as hospitals. For the year ended December 31, 2016, no single customer accounted for more than 10% or more of our sales.

## **Our Suppliers**

We believe that we do not materially depend on any single supplier. In the year ended December 31, 2016, no single supplier accounted for 10% or more of our sales. We seek to source our active pharmaceutical ingredients locally in each of our markets. Most of our supply contracts include mechanisms aimed at reducing our financial exposure, such as price escalation clauses (which link procurement prices to current selling prices) and specific procurement prices for specific sales volumes.

## **Procurement, Production and Quality Management**

We maintain three supply chain hubs at our locations in Bad Vilbel (Germany), Vrsac (Serbia) and Moscow (Russia), which carry out the centralized procurement planning for our most important products. In each hub, we have a specialized supply chain management team, as well as the appropriate infrastructure.

We generally have significant flexibility in our supply chain management and plan our pharmaceuticals production with a view to continuous cost improvement. As a result of our large product portfolio, which includes more than 800 active pharmaceutical ingredients and approximately 18,000 SKUs to accommodate various dosage forms and package sizes, we rely on a large, international network of internal and external resources for our supply chain and pharmaceuticals production.

As a result, we have been able to outsource the production of raw and auxiliary materials involved in the production of our pharmaceuticals to offshore suppliers based in Asia and other markets, which we believe deliver good quality at competitive prices. In order to efficiently manage our procurement of raw materials from these suppliers, we maintain specialized procurement offices in Shanghai (China) and Mumbai (India).

As a manufacturer, we are subject to fluctuations in the market prices of our raw and auxiliary materials. Additionally, our costs depend significantly on the prices we are able to negotiate with our contract manufacturers. Under our manufacturing contracts, suppliers typically bear a portion of the loss if our gross margin decreases as a result of lower sales prices. The pass-through mechanism that we typically rely on is a price escalation clause which links the procurement prices we pay to our selling prices. In other cases, we rely on renegotiations or agree specific procurement prices for specific sales volumes, such as volumes that are put out to tender by public health insurance organizations in the context of discount agreements (*Rabattverträge*). Discount agreements are entered into between pharmaceutical companies, such as us, and insurance carriers, such as national social insurance schemes. In a discount agreement the pharmaceutical company undertakes to supply certain pharmaceuticals to the insurance carrier or its customers at a significant discount in exchange for exclusivity in the relevant product category. Discount agreements typically have a term of one or two years.

In recent years, we have gradually increased the share of in-house production, thereby shifting production volumes from our contract manufacturers to our own production facilities. Our own production facilities currently account for approximately 70% of our sales, with the balance being outsourced. Furthermore, in 2016, we manufactured approximately 75% of our in-house production volume in lower-cost countries in Eastern Europe, Asia and South America. This provides us with a relatively low-cost and highly flexible production base. The expansion of cost-effective in-house production coupled with the flexible

make-or-buy approach described below, has helped us realize both structural cost advantages and higher capacity utilization which resulted in lower unit prices.

We take a flexible approach to our make-or-buy decisions. This means that we regularly compare our in-house production costs to offers we receive from third-party manufacturers and are prepared to outsource production where this would result in sustainable cost savings. In the past, our decision to gradually insource production capacity has helped us realize higher capacity utilization. Additionally, the fact that a large proportion of our manufacturing facilities are located in lower-cost countries has provided us with structural cost advantages compared to some of our competitors. Together, these factors have contributed significantly to the decrease in unit costs that we have realized in recent years.

Each year we reinvest in our production facilities and testing laboratories in an effort to ensure they comply with the applicable regulations and technical norms. In 2016, our investments in the expansion and renewal of our production facilities and plants, as well as test laboratories, were €22.6 million.

### ***Highest Quality and Safety Standards***

Our global control management is carried out centrally through our group holding company, STADA Arzneimittel AG.

As an international healthcare company, we have established high standards for the quality of our raw materials, products, services and working conditions. Some of the quality standards we adhere to, both in our own manufacturing, sites and those of external suppliers and contract manufacturers, significantly exceed the standards required by the applicable legal and regulatory requirements. Our compliance with both the statutory requirements and our internal standards is reviewed comprehensively each year as part of regular audits by our global quality management teams.

In addition, the competent national authorities in each country where we operate carry out inspections on a recurring basis. Within the EU, such inspections typically take place every two or three years. Outside the EU, we often go beyond the national requirements and inspections and additionally apply for EU Good Manufacturing Practice-compliance inspections (also known as EU GMP compliance inspections). In the course of these inspections, the competent authorities audit the compliance of our relevant non-EU production facilities with the relevant EU GMPs. Each positive inspection report results in a three year extension of our existing EU import licenses for products manufactured in these facilities. As a result, our non-EU production facilities in Banja Luka, Nizhny Novgorod, Obninsk, Podgorica, Sabac, Tuy Hoa and Vrsac are approved for the production and export of certain pharmaceutical dosage forms into EU countries.

In addition to our compliance with the applicable legal requirements, we hold international certifications in accordance with external quality management systems. Accordingly, at numerous production sites, we not only focus on GMP standards but also on the relevant ISO standards.

## Property, Plant and Equipment

### *Manufacturing Facilities*

As of December 31, 2016, we had a cost-effective manufacturing footprint that is well-diversified across 19 manufacturing sites.

<u>Location</u>	<u>Number of employees (in full-time equivalents)</u>
Vrsac, Serbia . . . . .	853
Huddersfield, Great Britain . . . . .	271
Bad Vilbel, Germany . . . . .	135
Nizhny Novgorod, Russia . . . . .	662
Pfaffenhofen, Germany . . . . .	27
Podgorica, Montenegro . . . . .	91
Obninsk, Russia . . . . .	112
Sabac, Serbia . . . . .	272
Preston, Great Britain . . . . .	21
Ho-Chi Minh, Vietnam . . . . .	659
Banja Luka, Bosnia and Herzegovina . . . . .	90
Stari Banovci, Serbia . . . . .	45
Tuy-Hoa, Vietnam . . . . .	430
Bradbury, Great Britain . . . . .	31
Ho-Chi Minh, Vietnam . . . . .	237
Beijing, China . . . . .	60
Dubovac, Serbia . . . . .	51
Buenos Aires, Argentina . . . . .	55
Tulln, Austria . . . . .	10

Our manufacturing sites are regularly audited and certified by supervisory bodies, and even some of our non-European manufacturing facilities adhere to EU manufacturing standards. As a result, we have a strong performance and compliance track record. Moreover, local production provides a natural hedge for currency fluctuations and regulatory restrictions, and at times is an advantage in the marketing of products in certain countries. We continuously seek to improve and manage our costs in order to increase our margins and potential for growth and stable cash flows, and we intend to improve certain aspects of our manufacturing operations to achieve our ongoing cost savings initiatives.

### **Sales and Marketing**

The sale and distribution of pharmaceutical products such as branded and unbranded generics is regulated in most countries. Because such regulatory regimes are highly fragmented, competitors trying to enter a new market have to navigate a variety of complex regulatory requirements, tender and reimbursement regimes and distribution channels. This provides a competitive advantage to existing scale players with local expertise, such as us.

Building on our extensive local market expertise, we have decided to put in place decentralized marketing teams, and the size and organization of our sales force is tailored to the local environment in each market. In Germany, for example, we do not have a dedicated sales force, as the majority of our business is won through tenders. As a result, our German marketing team is distinguished mostly by its sophisticated tender management. In Belgium, our sales force targets primarily doctors who are the key decision makers in the market, whereas our sales teams in Italy and Spain place the emphasis on pharmacies. In Russia, we market directly to consumers in the self-payment market. As part of our centralized supervision, our marketing teams research each market extensively and carefully select the products we decide to offer as part of our country portfolio, as well as their positioning. Our marketing campaigns in the United Kingdom, for instance, emphasize the filters contained in our Ladival sunscreen products, whereas marketing of Ladival in Spain focuses on the cosmetic benefits of its ingredients. We believe the combination of centralized supervision and physical proximity to our customers provides us with a powerful sales and marketing structure.


















We have a direct sales presence in more than 30 countries where we sell our products through our own marketing teams, subsidiaries and branches, which allows us to stay close to our customers and distributors.

This includes all major European markets such as Germany, the United Kingdom, France, Italy and Spain. In addition, we maintain a direct sales representation in growth-markets in the MENA region (in the United Arab Emirates), Asia (including Russia, Kazakhstan, China, Vietnam and the Philippines), South America (Argentina) and Australia. Our decision to establish a direct sales presence is also driven by our local market expertise and is a function of the product portfolio we are offering in a given market. In geographies where we do not have a direct presence, we partner with recognized local partners. When including exports, our products were marketed and sold in approximately 125 countries in 2016.

Selective acquisitions are part of our strategy and are also used to expand our existing sales network through vertical integration. In 2017, for example, we acquired the Serbian pharmaceutical wholesaler Velexfarm d.o.o. Beograd to strengthen our business activities in the Serbian market. In addition to growth opportunities, we seek to identify products and markets which are subject to particularly cumbersome regulatory requirements and to restructure our product portfolio to further reduce our dependency on state-regulated and therefore price-regulated healthcare systems.

## Our Brands

We have a large portfolio of recognizable and well-regarded brands. Set forth in the chart below are our largest brands by sales, together with their market position in each relevant market.

	Cough and Cold	Skin Treatment / Cosmetics	Vitamins, Minerals & Nutritional Supplements	Pain	Others
STADA category leaderships in selected products	#1  <b>SNUP</b> Rhinitis	#1  <b>Ladival</b> Sun Protection	#1  <b>Fultium<sup>®</sup> D<sub>3</sub></b> Vitamin D3	#1  <b>Tramal</b> <sup>1</sup> Pain Relief	#1  <b>APC-go</b> <sup>+</sup> Parkinson's
	#1  <b>Grippostad C</b> Cough & Cold	#6  <b>Ladival</b> Sun Protection	#1  <b>Curazink</b> Zinc Efficiency	#1  <b>ZALDIAR</b> <sup>1</sup> Pain Relief	#1  <b>HIRUDOID</b> <sup>®</sup> Inflammation of the Veins
	#1  <b>Aqualor<sup>®</sup></b> Cough & Cold	#5  <b>Cetraben</b> <sup>®</sup> Skin Eczema & Dry Skin	#1  <b>DAOSin</b> <sup>®</sup> Dietary Supplement	#2  <b>PALEXIA</b> <sup>®</sup> Pain Relief	#2  <b>Vitaprost<sup>®</sup></b> Prostate Hyperplasia
			#2  <b>DAOSin</b> <sup>®</sup> Dietary Supplement		#1  <b>ТРАНЕКАМ</b> Anti-bleeding

(1) We are the market leader in Poland considering Tramal (#3 on a standalone basis) and Zaldiar (#6 on a standalone basis) combined.

While we hold ownership rights to most of our brands, some of them are used under license. Most importantly, we lease our Ladival brand under a sale and leaseback agreement. We also in-license certain of our Generics, none of which individually represents a material portion of our business. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Off-Balance Sheet Arrangements.”

## Material Contracts

Other than disclosed elsewhere in this offering memorandum, we have not entered into any contracts outside the ordinary course of our business that we consider material.

## Research and Product Development

### Research

In order to limit our research and development costs and avoid the risks inherent in the marketing of newly developed products, our strategy is to focus on the development and marketing of generics. Thus, our business does not require any material proprietary research and accordingly we do not typically incur material research expenses.

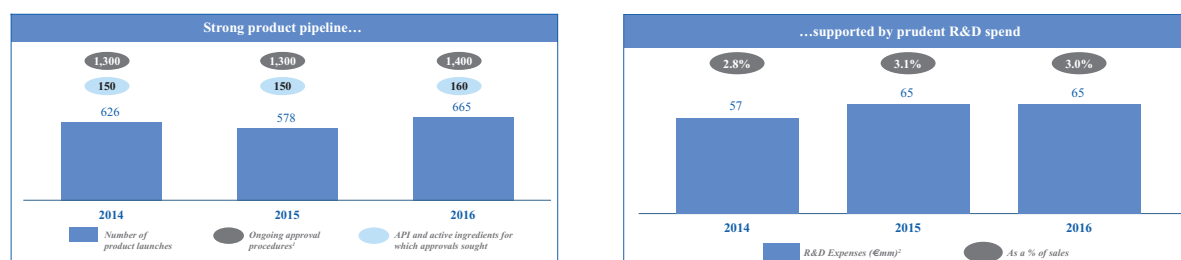
## Product Development

As the marketing of our products normally requires the prior grant of a marketing authorization issued by the competent regulators, we incur development costs in connection with the approval process. Given our global product marketing, we are required to navigate a large number of different approval processes. We generally seek to realize synergies and obtain marketing authorizations through supranational processes, which require only a single dossier and cover a large number of countries, particularly in the European Union. Approval procedures outside of the EU are carried out, where possible, on the basis of the EU dossier relating to the same product.

To ensure optimal utilization of our resources and effective management of our international approval processes, we have installed a centralized development center in Bad Vilbel (Germany), and Vrsac (Serbia). In select cases, we also rely on a global network of external development partners, through which dossiers or approvals are acquired.

## Product Launches

Building off our tried and tested platform, we have released on average more than 600 new products per year since 2014. The large majority of our new products are Generics, whereas new product launches in the Branded Products segment only make up a small share. We believe the number of our product launches is high compared to most of our competitors, which is evidence of our strong capabilities in the development process and our local market expertise. Despite our large portfolio of approximately 18,000 SKUs, 4% of our sales in 2016 resulted from products that were first introduced within the two preceding years. Our strong performance was also supported by continued investment in development costs. The chart below shows our product launches in each of the years ended December 31, 2014, 2015 and 2016, as well as our research and development costs in the corresponding years:



- (1) As of 31 December of respective fiscal years.
- (2) Represents research and development costs as per STADA's income statement. A generics company, STADA typically incurs no material research expenses. Costs related to the development of new products are usually capitalized, whereas costs for technical and regulatory maintenance or optimization of existing products are usually expensed in the periods in which they are incurred and reported under development costs.

Due to the lengthy regulatory approval process typical of the pharmaceutical industry, we consider our development pipeline an important indicator of our future sales. As of December 31, 2016, we had more than 1,400 pending applications for approval in relation to more than 160 active pharmaceutical ingredients and active ingredient combinations covering more than 55 countries. In particular, we have a large product pipeline in small molecule Generics as we aim to be a one-stop-shop and provide the full range of drugs that go off patent. Most of our pending applications relate to approvals for Generics within the EU.

## Intellectual Property

### Trademarks

In each market where material sales of any of our major Branded Products are made, we register a trademark. In addition, we continuously register trademarks in respect of new products and renew the trademarks that are about to expire. Our principal trademarks include APO-Go, Aqualor, Grippostad, Snup, Vitaprost, Fultium, Ladival (which we lease under a sale and leaseback agreement), Care, Covonia and Levomecol.

### Patents

As a company focused on generics, we are not materially dependent on patents.



## **Employees**

### ***Long-Term Personnel Policy***

Through their extensive expertise and strong commitment, our employees make a substantial contribution to our continuing success. As a result, our personnel policy focuses on long-term retention and is designed to support the sustainable development of all of our employees. In terms of training, we offer language skills support, specialist workshops, seminars and extra-occupational study programs. In addition, we offer development and support programs, tailored to various career stages, and individual career planning. Examples of this include exchange programs between German and foreign subsidiaries, as well as management programs. All personal development measures aim to continuously provide the skills needed both now and in the future, and to fill management and expert positions from within our own ranks as much as possible.

### ***Development of the Number of Employees***

In 2016, we had an average of 10,839 employees, compared to 10,441 in 2015 and 10,209 in 2014. As of December 31, 2016, 2015 and 2014, the number of our employees was 10,923, 10,532 and 10,363, respectively. The increase in recent years was primarily due to our acquisition of the British company BSMW Limited, the Argentinean Company Laboratorio Vannier S.A., the British company Natures Aid Limited and a local product portfolio of the Serbian IVANCIC I SINOVI DOO. In connection with these acquisitions, we assumed labor contracts with a total of 218 additional employees.

In 2016, we had an average of 1,164 employees in Germany, compared to 1,207 and 1,318 in 2015 and 2014, respectively. The average number of employees located at our group headquarters in Bad Vilbel, Germany, was 908 in 2016, compared to 938 in 2015 and 978 in 2014, respectively. The average number of employees outside Germany was 9,675 in 2016, compared to 9,234 in 2015 and 8,891 in 2014, respectively.

As of December 31, 2016, women held approximately 49% of all management positions within the Target Group. We believe that we have healthy relationships with our workforce, and during the periods under discussion there have not been any material labor disruptions.

### ***Pensions***

We operate a number of pension schemes, including defined benefit schemes in certain countries in which we operate, such as Germany and the United Kingdom.

### ***Insurance***

As part of our insurance program, we maintain general and product liability insurance, environmental liability insurance, all risk property and business interruption insurance, cargo and transport insurance, industrial legal aid insurance, fidelity insurance, electronic insurance, credit insurance, as well as health and accident insurance covering most subsidiaries and operations to the extent the Target Group considers appropriate or otherwise required by applicable law. We are not currently involved in any material claims under our insurance.

### ***Information Technology***

Our critical information technology systems are largely operated and hosted by Fujitsu TDS. Our core systems are centralized in data centers located in Germany where all SAP servers and SAP related infrastructure for IT systems located in Western Europe and the Commonwealth of Independent States (CIS) are hosted. Other non-core IT systems are operated locally by our local subsidiaries.

### ***Environmental***

We are subject to a number of local, national and regional laws and other requirements relating to the protection of the environment and the safety and health of personnel and the public. These requirements relate to a broad range of our activities, including (i) product and industrial related environmental protection and (ii) operational management of occupational safety and wellbeing related to hazardous substances in production activities.

Our capital and operating budgets include the expected costs and expenses necessary to ensure compliance with these laws. Specifically, we incur labor costs for environmental, health and safety activities, local costs for industrial environmental protection, investments to improve workplace ergonomics and coverage of

substance substitutions. If we do not comply with environmental requirements that apply to our operations, regulatory agencies could seek to impose civil, administrative and/or criminal liabilities, as well as seek to curtail our operations. Under certain circumstances, private parties could also seek to impose civil fines or penalties for violations of environmental laws or recover monetary damages, including those relating to property damage or personal injury.

The presence of hazardous materials at our facilities may expose us to potential liabilities associated with the clean-up of contaminated soil and groundwater, and we could be liable for (i) the costs of responding to and remediating that release and (ii) the restoration of natural resources damaged by any such release, among other things. We have not incurred in the past three fiscal years, nor do we anticipate incurring, material expenditures in order to comply with environmental laws or regulations. We are not aware of any environmental liabilities that we would expect to have a material adverse effect on our business.

We are committed to optimizing procedures and processes to conserve resources and minimize our impact on the environment. Furthermore, as a result of our business model, which excludes the in-house production of active ingredients, we do not present any significant emission risks. We are currently working on an integrated corporate governance report which is expected to include key corporate governance metrics and will be applicable across our entire Target Group.

### **Joint Ventures**

We have entered into several joint ventures to access additional geographic markets, further enhance our local market expertise, minimize costs and increase growth in areas we believe have significant business potential. For an overview of our joint ventures, see the notes to our Financial Statements included elsewhere herein. When entering into joint ventures, we generally seek control over the joint undertaking.

Our most significant joint venture is our Vietnamese Joint Venture. It was established between one of our subsidiaries, STADA Pharmaceutical (Asia) Ltd., and M.S.T. Commercial and Pharmaceutical Company Limited in Vietnam. See *“Presentation of Financial Information—STADA Vietnam J.V. Co. Ltd.”* and *“Risk Factors—Risks Relating to Our Business and Industry—We may be exposed to the risk of deconsolidation if we do not comply with the requirements set forth in IFRS 10, particularly with respect to our Vietnamese Joint Venture.”*

### **Regulatory and Compliance**

We do business in certain countries that are subject to economic sanctions or known to have weak measures against money laundering and terrorist financing, including Russia, Iran, Lebanon, Yemen, Sudan and Libya. For the year ended December 31, 2016, our sales in these countries, excluding Russia, accounted for less than €10.0 million. Our sales in Russia for the year ended December 31, 2016, were €92.5 million. We have specific procedures in place to ensure that our exports into these countries comply with the relevant international, regional and national regulations. For example, prior to entering into a contract with a customer, we conduct due diligence on our customers and obtain documentation from them that verifies their identity as well as the identity of their end customers and beneficial owners. In addition, we tailor our contracts to the specific contractual partners and export countries, providing for specific payment terms and requiring specific guarantees.

### **Legal Proceedings**

From time to time we become involved in various claims and lawsuits arising in the ordinary course of our business, such as employee claims, disputes with our suppliers, authorities or business partners and intellectual property disputes. In particular, our partner in our Vietnamese Joint Venture recently brought an arbitration claim against us before a tribunal in Singapore, alleging that we violated a non-compete clause in the underlying joint venture agreement. We are currently evaluating the merit of this claim and offer no assurances in respect of the outcome of the dispute. Otherwise, we are currently not involved in any legal proceedings which, either individually or in the aggregate, are expected to have a material adverse effect on our financial position or results of operations. We note, however, that the outcome of legal proceedings can be extremely difficult to predict, and we offer no assurances in this regard.

## REGULATION

### European Union

#### *Overview (Germany, Italy, Spain and the United Kingdom)*

The Target Group's pharmaceutical business activity comprises the following regulated activity: (i) medicinal product development (the Target Group only conducts limited proprietary research for new active pharmaceutical ingredients); (ii) medicinal product authorization; (iii) manufacturing and procurement of contract manufacturing; (iv) wholesale distribution and supply; (v) pharmacovigilance; and (vi) promotion. The current range of medicinal products comprises generic, biosimilar, prescription-only and OTC medicinal products. Each of these activities is subject to strict legislative frameworks at both EU and national level, compliance with which requires the expenditure of substantial personnel and financial resources, and breach of which can result in enforcement activity under civil, administrative and/or criminal law.

While the Target Group also commercializes products that are regulated as medical devices, cosmetic products and food supplements, the below summarizes the material licenses and regulatory aspects of the pharmaceutical product regulatory regimes which are applicable to the material parts of the Target Group's pharmaceutical business in Germany, Italy, Spain and the United Kingdom the violation of which could result in: (i) the suspension or revocation of licenses or registrations; (ii) the limitation, suspension or termination of service; and/or (iii) the imposition of civil, administrative and criminal penalties, including fines.

#### *EU Pharmaceutical Regulatory Regime*

##### *Non-Clinical and Clinical Investigations*

Both non-clinical and clinical data (i.e., from studies involving human participants) are generally required to support a marketing authorization for a medicinal product. Appropriate studies are therefore required, the conduct of which in the European Economic Area (EEA) is carefully regulated under EU directives 2010/63/EU, 2004/9/EC, 2004/10/EC and directive 2001/20/EC respectively and corresponding member state national laws. To the extent that non-clinical research is conducted on animals, this is subject to significant legislative restrictions. In particular, the person conducting such research and the research project itself must be authorized by a relevant competent authority. The establishment where the animal research takes place must also be compliant with the legislation—this entails an additional authorization under national legislation.

As regards the initiation and conduct of clinical trials, many of the legal obligations in directive 2001/20/EC and its associated good clinical practice directive 2005/28/EC fall on the “sponsor” of the clinical trial, which is defined as the individual, company, institution or organization which takes responsibility of the initiation, management and/or financing of a clinical trial. Before commencement of a clinical trial, the sponsor must obtain authorization from the competent authority/ies in the member state(s) in which the trial will be conducted. Approval from a competent national ethics committee in each of the relevant member states is also a pre-requisite to commencing a trial. The EU clinical trial legislation also imposes requirements regarding the conduct of the trial itself (which must be conducted in accordance with good clinical practice (GCP) to generate data acceptable for marketing authorization submission) and safety reporting of adverse events and reactions amongst other matters. If clinical trials are conducted outside of the EEA, they must likewise follow the principles set out in the EU legislation if their results are to be submitted in an application for marketing authorization in the EU in order for the data they generate to be accepted. These requirements also apply to bioavailability studies conducted to demonstrate acceptable bioequivalence of generic medicinal products to innovator products.

The regulation of clinical trials conducted in the EEA will undergo significant change when the EU Clinical Trials Regulation comes into effect which the EMA expects to occur during 2019.

##### *Marketing Authorizations*

The EU regulatory framework applicable to medicinal products is largely set out in the Community Code contained in directive 2001/83/EC as transposed into the respective national laws of the EEA member states. Subject to certain narrow exemptions, this requires that all medicinal products, including also generic versions of authorized (including previously authorized) products, must obtain a marketing

authorization before they can be lawfully placed on the market in the EEA. There are three main procedures for application for marketing authorization: the Centralized Procedure (operated by the EMA and the European Commission under EC Regulation 726/2004), the Mutual Recognition Procedure, and the Decentralized Procedure, both operated by the EEA member state national authorities under the rules set out in directive 2001/83/EC. It is also possible to obtain a purely national, standalone authorization for products intended for marketing in a single EEA member state only.

Under the Centralized Procedure, applications must be made to the EMA for an authorization granted in the form of a single binding European Commission decision to grant a Community marketing authorization which is simultaneously valid in each of the EEA member states. The Centralized Procedure is mandatory for biotechnology products. It is also mandatory for advanced therapy medicinal products for new active substances to treat cancer, neurodegenerative disorders, diabetes, AIDS, autoimmune diseases or other immune dysfunctions and viral diseases and for products designated as orphan medicinal products. It is optionally available for other new chemical entities or innovative medicinal products, or in the interest of public health, which may also include applications for Community marketing authorizations for non-prescription and generic medicinal products of nationally authorized reference products. For generic marketing authorization applications of Community-authorized reference medicinal products (that have been authorized under the Centralized Procedure) there is automatic access to the Centralized Procedure.

The Mutual Recognition Procedure and the Decentralized Procedure each aim at facilitating access to the EEA single market by relying upon the principle of mutual recognition. Thus, a marketing authorization or the assessment in one EEA member state (the reference EEA member state) ought in principle to be recognized by the competent authorities of the other EEA member states (the concerned EEA member states (CMSs)), unless there are grounds for supposing that the authorization of the medicinal product concerned may present a potential serious risk to public health. Under both procedures, if the application is successful, the CMSs grant a national marketing authorization for the medicinal product.

Under all marketing authorization procedures the applicant must submit a dossier containing, amongst other items, data demonstrating the safety, quality and efficacy of the medicinal product. For generic medicinal products there are reduced data submission requirements (no preclinical or clinical study results are required though bioequivalence must be substantiated, usually via appropriate bioavailability studies). For similar biological medicinal products (biosimilars) some preclinical and/or clinical studies performed for the original reference product may not need to be reproduced as a biosimilar application is based on a comparison of the biosimilar and its reference medicine to show there are no significant differences between them.

At the time of the grant of a marketing authorization for a medicinal product, the competent authority must specify the classification of the product as either prescription-only or not. National laws may make provision for certain sub-categories. It is open to the marketing authorization holder to subsequently apply for an amendment of this classification (either way) subject to filing relevant supporting additional data.

#### *Manufacturing and Contract Manufacturing*

The EU Community Code in directive 2001/83/EC applies substantial requirements to the manufacturing of medicinal products, which are required to be manufactured in accordance with the principles of good manufacturing practice (GMP) set out in Commission directive 2003/94/EC. Manufacturing activity includes the import, total or partial manufacture, including the various processes of dividing up, packaging and presenting, of medicinal products. There are also prescriptive requirements relating to the content and design of the packaging and labelling of medicinal products. These include certain mandatory information which must be stated on the product label, packaging and patient information leaflet.

The manufacturer must ensure that all manufacturing operations for medicinal products subject to a marketing authorization are carried out in accordance with the information provided in the application for marketing authorization as accepted by the competent authorities. Any manufacturing operation or linked operation, which is carried out under contract for the manufacturer, must be the subject of a written contract between the manufacturer and the subcontractor which defines and allocates responsibilities of each party and which defines, in particular, the observance of GMP to be followed by each party. The manufacturer must monitor and review the subcontractor's performance.

If manufacturing activity is undertaken within the EEA a manufacturing authorization from the relevant member state is required which is valid for the category of products concerned and which covers the type

of manufacturing activity undertaken (e.g. import or packaging etc.). The holder of a manufacturing authorization is obliged to comply with the principles and guidelines of GMP for medicinal products and to use as starting materials only active substances (active pharmaceutical ingredients), which have been manufactured in accordance with GMP for active substances. Excipients for use in medicinal products must also be produced in accordance with appropriate GMP to be determined following a formal risk assessment. As a matter of GMP compliance the manufacturer must verify via site audits that suppliers and distributors of active substances are each complying with GMP and good distribution practice (GDP) principles. Manufacturers are subject to regular inspections by competent authorities to assess their compliance with GMP. The manufacturer must also appoint a named “qualified person” who is responsible for certifying that individual batches of medicinal product satisfy the legal requirements.

Manufacturing authorizations must be issued by the member state authority where the manufacturing activity and plant is located and are holder and site-specific. EU member state competent authorities also undertake GMP inspections of manufacturers located in countries outside of the EEA which are engaged in the manufacture of medicinal products to be supplied in the EU. A EU-based manufacturer may only import active substances from outside the EEA if the active substances have been manufactured in accordance with GMP equivalent to EU GMP for active substances and if they are accompanied by a written confirmation from the competent authority of the exporting third country, which as regards the plant manufacturing the exported active substance, confirms that the standards of GMP and control of the plant are equivalent to those in the EEA. Alternatively, active substances may be imported from countries on the white list of recognized GMP-equivalent countries operated by the Commission.

From 2019 the EU falsified medicines legislation (now incorporated in directive 2001/83/EC and in delegated acts) will impose additional obligations on manufacturers regarding certain safety and anti-tamper features to be included on product packaging (where required).

### *Distribution*

Entities undertaking the wholesale distribution of medicinal products are also required to hold a wholesale dealer’s authorization from the EEA Member State where the distribution activity is taking place and must fulfil specified requirements concerning suitability and adequacy of premises, installations and equipment, so as to ensure proper conservation and distribution of the medicinal products. These requirements also extend to staff. In particular a distributor must have a qualified ‘responsible person’ who meets national legislative requirements regarding qualifications.

Wholesale distribution covers all activities consisting of procuring, holding, supplying or exporting medicinal products, apart from supplying medicinal products to the public. Such activities are carried out with manufacturers or their depositories, importers, other wholesale distributors or with pharmacists and persons authorized or entitled to supply medicinal products to the public in the Member State concerned.

Distributors are subject to regular site and system inspections by competent authorities to assess the distributor’s compliance with applicable legal requirements in the Community Code in directive 2001/83/EC, which include compliance with the principles of EU GDP. Distributors must keep certain records and documentation (particularly for the purposes of facilitating product and batch recall) and must operate a quality system and have a plan for effective implementation of recalls. Distributors are also obligated to confirm that entities from whom they obtain supplies of medicinal product have the appropriate authorizations and, where applicable, have complied with GDP principles. They may also only supply to entities who possess appropriate authorizations.

From 2019 the EU falsified medicines legislation will also impose additional obligations on distributors regarding the verification of specified safety and anti-tamper features to be included on product packaging (where required).

### *Pharmacovigilance*

“Pharmacovigilance” refers to the science and activities relating to the detection, assessment, understanding and prevention of adverse effects or any other medicine-related problem. Marketing authorization holders are subject to detailed and extensive risk management and pharmacovigilance obligations under Directive 2001/83/EC and EC Regulation 726/2004 and the associated guideline on good pharmacovigilance practices. Amongst other matters these include the implementation of risk minimization measures on a per product basis as well as a requirement for the marketing authorization holder to operate a pharmacovigilance system to monitor the safety of authorized medicinal products and



to detect any change to their risk-benefit balance. Details of the pharmacovigilance system must be set out in the pharmacovigilance system master file, which must be maintained by the marketing authorization holder and kept available for inspection by competent authorities upon request. The marketing authorization holder must establish and use a “quality system” to perform its pharmacovigilance obligations.

Pharmacovigilance obligations on the marketing authorization holder include detailed obligations regarding reporting. For example, a marketing authorization holder must record all suspected adverse reactions in the EEA or in countries outside of the EEA which are brought to its attention, and report such information via the centralized Eudravigilance database. The marketing authorization holder must also submit periodic safety updates to the EMA regarding the benefits and risks of the medicinal product. Other pharmacovigilance obligations are imposed regarding the availability to the marketing authorization holder of appropriate personnel and resources. For example, the marketing authorization holder must have permanently and continuously at its disposal an appropriately ‘qualified person responsible for pharmacovigilance’ who resides in the EEA.

### *Promotion*

Directive 2001/83/EC sets out strict rules on the advertising of medicinal products. The concept of advertising is broadly defined and includes any form of door-to-door information, canvassing activity or inducement designed to promote the prescription, supply, sale or consumption of medicinal product. Advertising must not be misleading and there is a positive obligation for the advertising to encourage the rational use of a medicinal product amongst other matters. All promotional materials and activity must also comply with the official Summary of Product Characteristics which is always issued for an authorized medicinal product by the authorizing competent authority.

The advertising of medicines in the EU is permitted subject to certain restrictions in directive 2001/83/EC. For example, the advertising of unauthorized medicines is prohibited. This includes the advertising of a medicine before a marketing authorization has been granted, as well as the advertising of an authorized medicine for uses (i.e. therapeutic indications) outside the scope of its marketing authorization (so called “off label”). Advertising of prescription-only medicines to the general public is also prohibited, as is the provision of samples to the public for promotional purposes. In addition, the EU legislation gives members states certain flexibility to ensure adequate and effective monitoring of advertising and the detailed rules regarding promotion and monitoring are consequently not fully harmonized across the EEA.

### *Sanctions for Infringement Under EU Law*

Under Commission Regulation 658/2007, the Commission may directly impose financial penalties where the holder of a Community marketing authorization has intentionally or negligently breached certain obligations set out in the EU pharmaceutical legislation. The power to impose financial penalties applies in cases where the infringement may have significant public health implications in the EEA; where it has a EEA dimension by taking place or having its effects in more than one Member State; or where interests of the EEA are involved.

In the event of an infringement, the Commission may impose a fine of up to 5% of the marketing authorization holder’s turnover in the EEA in the preceding year. If the infringement is ongoing, the Commission may impose periodic penalty payments per day of up to 2.5% of the marketing authorization holder’s average daily EEA turnover in the preceding business year until such time as the infringement is terminated. The Commission may also impose a fine of up to 0.5% of the marketing authorization holder’s EEA turnover in the preceding business year if the marketing authorization holder fails to cooperate with the Commission’s investigation of the potential breach. Where the non-cooperation continues, the Commission may impose periodic penalty payments per day of up to 0.5% of the marketing authorization holder’s average daily EEA turnover in the preceding business year until the non-cooperation is terminated.

### *Enforcement Under National Law*

Enforcement of the regulatory requirements outlined above takes place at a national level and is underpinned by national member state law.

### *Enforcement Under UK Law*

The EU pharmaceutical regulatory legislation is generally enforced in the UK under the criminal law via offences set out in the Human Medicines Regulations 2012 and the Medicines Act 1968. A person guilty of an offence is generally liable to up to two years' imprisonment and/or an unlimited fine. Liability can arise for a corporate offender and also for individual officers of the company (or any person purporting to act in such capacity). Members of the company may also be liable if the affairs of the company are managed by its members.

The UK competent authority has a range of enforcement powers. As well as prosecuting the company and/or individual responsible, the competent authority has investigatory powers enabling it to enter, inspect, and search premises and seize medicinal products. The competent authority can also suspend or revoke any UK marketing authorization, manufacturing authorization, or wholesale dealer authorization, thereby preventing the holder from carrying on these respective activities.

### *Enforcement Under German Law*

The EU pharmaceutical regulatory legislation is transposed and indirectly enforced in Germany mainly via the Medicinal Products Act (*Arzneimittelgesetz*), and various ordinances passed thereunder. General laws applicable also to pharmaceutical companies in their business behavior are the Administrative Offences Act (*Ordnungswidrigkeitengesetz*), the Health Advertising Act (*Heilmittelwerbegesetz*)—as far as promotional measures are concerned—and the Criminal Code with its anti-fraud and anti-kickback provisions. A person guilty of an offence can be liable to a fine or imprisonment under administrative or criminal law, depending on the nature of the violation. For example, any person who negligently commits the act or who willfully or negligently fails to operate a pharmacovigilance system or fails to fulfil certain general pharmacovigilance obligations shall be deemed to have committed an administrative offence. Committing an administrative offence may result in a fine not exceeding €25,000. A violation of the Health Advertising Act can lead to an administrative offence; however, in practice, these aspects are mainly dealt with in civil law proceedings like requests for preliminary injunctions initiated by a competitor or patient organization.

The German competent authorities, which are both authorities at a national level—in particular the Federal Institute for Drugs and medical Devices (BfArM)—and at a regional level—the administrative authorities in the respective federal states—have a range of enforcement powers. As well as the power to prosecute the company and/or individual responsible, the competent authorities have investigatory powers enabling them to enter, inspect, and search premises and seize medicinal products. The competent authorities can also suspend or revoke any German marketing authorization, manufacturing authorization, wholesale dealer authorization, thereby preventing the holder from carrying on these respective activities. As regards enforcement of the restrictions on promotional activities, in practice this is typically done through civil law proceedings brought by competitors and/or associations for fair competition.

### *Enforcement Under Italian Law*

The EU pharmaceutical regulatory legislation is enforced in Italy under criminal and administrative sanctions set out in the Legislative Decrees 211/2003 and 219/2006. A person guilty of an offence is generally liable to up to three years' imprisonment and/or unlimited fine. Pursuant to Legislative Decree 231/2001, a company is liable for crimes committed, for the benefit or the advantage of the company, by its representatives (i.e., directors, managers and other employees). Companies may avoid this liability by approving and actually implementing a compliance program for the organization of a system of procedures and supervisory activities aimed at preventing the commission of such offences.

The Italian competent authorities are entrusted with a wide range of enforcement powers relevant to their own areas of competence, including (i) undertaking inspections and audits, (ii) suspending and revoking authorizations (i.e., marketing, manufacturing, import, wholesale distribution and advertising authorizations) and (iii) issuing interdictory measures or pecuniary fines.

### *Enforcement Under Spanish Law*

The Spanish pharmaceutical industry enforcement regime comprises, mainly, administrative law rules and regulates the clinical investigation, marketing, manufacturing, distribution, pharmacovigilance and promotion of medicinal products. In line with the EU legislation, it is required that medicinal products must receive a marketing authorization granted by the Spanish Agency of Medicinal Products ("AEMPS") which belongs to the Ministry of Health and Social Services before medicinal products can be placed on

the market. Additionally, manufacturers, importers and marketers of medicinal products are required to hold an authorization granted by the AEMPS. Authorization holders shall comply with security, effectiveness, identification and information obligations regarding the medicinal products marketed. Once the regulatory authorizations are granted, the latter are included in the AEMPS registry and communicated to the EMA for information purposes available to the public.

Spanish State and Regional authorities are empowered to investigate any conduct, to enter into any establishment or to seize any sample in order to verify the compliance of the legislation. Failure to comply with the legislation may result in administrative fines to be imposed to the authorization holder up to €30,000 for minor infringements, up to €90,000 for serious infringements or up to €1,000,000 or five times the medicinal products involved, for very serious infringements; seizure of the illegal benefit obtained; closure of the establishment; suspension of the corresponding activities or/and withdrawal of the medicinal product from the market.

Additionally, if the aforementioned conducts, and other related conducts described in articles 361 and subsequent of the Spanish Criminal Code, endanger human life and health, those provisions establish as penalties for the person who commits the criminal offence a prison sentence up to four years, a fine which will depend on his economic situation and a specific disqualification for the exercise of his profession or for trading. In some circumstances the company itself can be liable for the conducts perpetuated by their employees, in which case, article 366 of the Spanish Criminal Code determinates for the company fines up to five times the medicinal products involved and foresees the possibility to additionally impose other penalties, such as the winding up of the company, suspension of its activity, closure of its establishments, prohibition to carry out the activities, prohibition of obtaining public subsidies and judicial intervention.

## *Russia*

### *Overview*

The development, pre-clinical/clinical trial development, registration, manufacturing, safety, storage, transportation, advertising, sale, use and destruction of pharmaceuticals in the Russian Federation is strictly regulated by national laws and since May 6, 2017 by the regulations of Eurasian Economic Union (EAEU) on united pharmaceutical market, formed by its members, Armenia, Belorussia, Kazakhstan, Kirgizia, Russia. The regulations of EAEU as international law prevail over the national legislation. The EAEU regulations concern the registration of pharmaceuticals, labelling, packaging, good practices and pharmacovigilance. Licensing, price formation, state procurement and advertising remain the exclusive competence of each member state.

### *Pre-Clinical / Clinical Trial Development*

Prior to applying for registration of a pharmaceutical product, pre-clinical studies and clinical trials are usually arranged by a “developer.” The developer is the organization which owns the results of the studies and/or the relevant pharmaceutical manufacturing technologies. All studies must confirm the pharmaceutical quality of the products and demonstrate their safety and efficacy.

Pre-clinical research is conducted on animals. The laboratory where the relevant research takes place is subject to strict control by the Federal Service for Surveillance in Healthcare.

The developer is obliged to conduct the relevant studies according to clinical trials permission granted by the Ministry of Health of the Russian Federation. Such permission is granted after the Ministry conducts a review of the application and accompanying documents submitted by the developer or any person authorized by the developer.

Clinical research conducted on humans is subject to significant legislative restrictions. In particular, a person conducting such research must have relevant experience and the institution where the research takes place must be authorized by the Ministry of Health. Successful results of clinical trials are a mandatory condition for registration of a pharmaceutical product.

### *Registration Process*

Pharmaceuticals can be manufactured, stored, transported, sold, used or destroyed only upon obtaining the registration certificate which is issued by the Ministry of Health of Russian Federation.

At the applicant’s option, the registration procedure can be carried out in accordance with Russian or EAEU regulations. Depending on the option chosen, the issued registration certificate will be valid on the

territory of Russian Federation or in all EAEU member states, respectively. After 2021, only EAEU regulations on registration will remain in force.

According to Russian regulations, the duration of the registration process ranges from 60 (for generic pharmaceuticals) to 210 (for original pharmaceuticals) calendar days. EAEU regulations envisage 210 calendar days as the maximum duration of the registration process. Clinical trials are not included in that term. Usually the whole registration process takes at least 1.5-2 years for original and appx. 8-12 months for generic pharmaceuticals. Usually, the costs for registration of original pharmaceuticals start from 3,000,000 Rubles and from 700,000 Rubles for generics. EAEU registration costs may be lower as results of clinical trials conducted in other EAEU states as well as in the member states of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) may be accepted as part of the application.

After grant, the registration certificate can be annulled by the Ministry of Health for a number of reasons such as danger to health, infringement of the rights of a third party, absence of the pharmaceutical from the Russian market for more than three years, among others.

Violations such as manufacturing or sale of unregistered pharmaceuticals can lead to a fine of up to 5,000,000 Rubles or the suspension of the licensed activity for up to 90 days. Suspension of the activity can only be ordered by the court. If the violations have not been remedied after the expiry of the suspension period, the license on manufacturing of pharmaceuticals (see below) can be annulled upon application of the respective regulatory body by a ruling of the court.

If the value of manufactured or sold unregistered pharmaceuticals exceeds 100,000 Rubles, an individual (e.g. employee of the company) found responsible may be subject to criminal sanctions of up to eight years' imprisonment and a fine in the amount of: (i) up to 2,000,000 Rubles; or (ii) the income of the offender for a period of six months to up to two years. The offender may also be prohibited from occupying certain posts or engaging in certain activities for a period of up to five years,.

In case of death or grievous harm caused by an unregistered pharmaceutical, the term of imprisonment can be up to twelve years with a fine in the amount of: (i) 5,000,000 Rubles; or (ii) the income of the responsible person for a period of two to five years. The offender may also be prohibited from occupying certain posts or engaging in certain activities for a period of up to ten years.

#### *Manufacturing and Distribution of Pharmaceuticals*

Manufacturing of pharmaceuticals requires a license and a Good Manufacturing Practice (GMP) certificate, both issued by the Ministry of Industry and Trade of Russian Federation. Manufacturing pharmaceuticals without a license is a criminal offence and may lead to imprisonment for up to eight years and a fine in the amount of: (i) up to 3,000,000 Rubles; or (ii) the income of the offender for a period of one to three years.

If ethanol is used in the manufacture of a pharmaceutical substance, this must be recorded in the Unified State Automated System (USAS, ЕГАИС) in order to control the volumes and circulation of pharmaceutical products containing alcohol. Failure to comply with the USAS record requirements can lead to a fine of up to 200,000 Rubles.

A further license is required for laboratory activities which use causative agents of infectious diseases and genetically modified organisms of III and IV pathogenicity level. This license is issued by the Federal Service on Surveillance for Consumer Rights Protection and Human Well-being. A major change of control in a license holder entity is subject to prior approval by the special government committee.

Distribution (whether wholesale or retail) of pharmaceuticals requires a license on pharmaceutical activity, issued by the Federal Service for Surveillance in Healthcare. The online sale of pharmaceuticals is prohibited.

The manufacturing and distribution of pharmaceuticals containing narcotics, psychotropic substances or their precursors is subject to an additional license on the circulation of such substances. The license is issued by the Federal Service for Supervision in Healthcare of Russian Federation.

Violation of the regulations on manufacture or distribution of pharmaceuticals can lead to a fine of up to 30,000 Rubles, provided such actions do not violate the licensing requirements (mandatory requirements which the license holder must comply with). As a general rule, violation of any licensing requirements can lead to a fine of up to 40,000 Rubles. Major violations of the license requirements can lead to a suspension

of the licensed activity (for example distribution) for up to 90 days. The activity can be suspended only upon a ruling of the court. If the major violations have not been remedied after the expiry of the suspension period, the license can be annulled upon application of the respective regulatory body by a ruling of the court.

#### *Pharmacovigilance (Pharmaceuticals Safety Monitoring)*

The company is required to establish a pharmacovigilance system, including the appointment of a qualified person to collect, assess and report safety information with regard to the benefit/risk assessment of the product and adverse events.

After the product registration certificate has been granted, the registration certificate holder must submit periodic regular safety reports to the Federal Service for Surveillance in Healthcare. In addition, the registration certificate holder must continuously monitor the benefit/risk balance of the product and implement and monitor procedures for the performance of adverse event collection, evaluation and reporting, updating of risk management plans and other pharmacovigilance measures.

The Federal Service for Surveillance in Healthcare will inform the Ministry of Health of negative safety information it obtains, as a result of which the latter can suspend the circulation of the pharmaceutical or revoke the registration certificate.

For non-disclosure of adverse events the registration certificate holder can be charged with a fine of up to 5,000 Rubles. If such non-disclosure creates a danger to people, animals or the environment, the responsible individual may bear criminal liability and be charged with a fine of up to 300,000 Rubles and imprisonment of up to two years. The offender may also be prohibited from holding certain positions and engaging in certain activities for a period of up to three years.

#### *Promotion of Pharmaceuticals*

The promotion of registered pharmaceuticals is permitted, subject to certain restrictions. For example, the advertising of pharmaceuticals may not: (i) contain specific cases of recovery or expressions of gratitude from patients; (ii) create an impression of advantages of the product by referring to mandatory clinical trials; (iii) create an impression of necessity of usage of the advertised product for consumers with a certain disease; (iv) create an impression of the absence of the necessity to consult a healthcare professional; (v) guarantee the positive impact, safety and absence of any side effects of the advertised product; (vi) advertise a pharmaceutical product as a biologically active supplement; or (vii) claim that the safety and efficiency of the pharmaceutical product are guaranteed by its natural origin.

Prescription pharmaceuticals can be advertised only during special events for healthcare professionals or in press specially designated for healthcare professionals. In such cases advertising may refer to specific patient case studies. Prescription pharmaceuticals may not be advertised to consumers.

Advertising compliance is regulated by the Federal Antitrust Service of Russian Federation. Violation of the pharmaceuticals advertising legislation can lead to a fine up to 500,000 Rubles for each instance of violation.

#### *VEP Circulation*

The Russian government approves a list of vital and essential pharmaceuticals (VEP) annually. This list includes international non-proprietary names of pharmaceuticals for treating the most common or top-priority conditions. VEPs' maximum prices must be approved by and registered with the Ministry of Health and Federal Antitrust Service. Overpricing can result in a fine of double the amount of excess earnings (i.e. the amount earned by the overcharge) for the period of the violations, up to a maximum period of one year.

VEPs produced abroad are subject to restrictions for state procurement purposes: if two or more national or EAEU analogous products participate in the state procurement procedure the foreign product is excluded from the tender.

National manufacturers of VEPs can also apply for subsidies from the government.



## **Reimbursement of Medicinal Products**

### ***The EU Directive on the Transparency of Measures Regulating the Pricing of Medicinal Products (89/105/EEC)***

Directive 89/105/EEC places obligations on EEA member states in respect of their regulation of the pricing of medicinal products. These obligations include: prescribed time periods in which a competent authority must respond to an application for approval of the price / price increase of a medicinal product (where such approval is required before the product can be marketed or the price increase implemented, respectively); obligations to regularly review price freezes to consider the justification of such price freezes and prescribed time periods for announcing the results of such reviews; requirements to give reasons for certain decisions; obligations to publish prescribed information and provide prescribed information to the European Commission regarding products for which prices have been fixed and the prices which may be charged including any price increases; and time periods for communicating decisions (including exclusions) on whether reimbursement of a medicinal product will be covered by a national health insurance system. These obligations include communicating criteria used by national social security systems for therapeutic classification of medicinal products as well as criteria used by competent authorities to verify transfer pricing used by companies for active pharmaceutical ingredients, intermediate manufactured or finished medicinal products.

Member states are also obliged to publish information and to communicate to the Commission regarding the methods and criteria they apply to define profitability, return on sales and/or return on capital, including the ranges of target profit permitted and the maximum percentage of profit permitted to persons placing medicinal products on the market.

### ***Reimbursement of Medicinal Products in England & Wales***

In England and Wales, the measures adopted to regulate the pricing of medicines vary according to the type of medicine. The generic term “Government” is used in this context to refer to the Department of Health and other NHS bodies running the public health service in England and Wales.

#### ***Branded Medicines***

The Pharmaceutical Price Regulation Scheme 2014 (“PPRS”) is a voluntary scheme open to manufacturers and suppliers which regulates the pricing of branded medicines (including branded generics) supplied to the NHS in the UK and which is in place until the end of 2018. It therefore does not cover sales of unbranded generics to the NHS or any sales outside the NHS, e.g. private prescription sales or non-NHS OTC sales. According to Government figures released at the end of 2016, in 2015 almost 90% of branded medicines supplied to the NHS in the UK were supplied by PPRS members.

Key features of the PPRS are as follows:

- A profit cap for individual members who elect to be part of the scheme and a general repayment across all members where NHS spend on branded medicines exceeds predicted growth levels.
- In relation to product pricing, there is freedom of pricing at launch where new active substances are granted marketing authorization, including line extensions of such new medicines within five years of the marketing authorization. However, this freedom is limited by an expectation that pricing will be “close” to value assessments for new medicines provided by the National Institute for Health and Clinical Excellence, an executive non-departmental Government body.
- All other pricing, including price increases or variations, are subject to Government consent. There are flexible pricing options or special rules for defined scenarios (such as new indications), but the Government generally has discretion as to what may be accepted.

There is as yet no indication of the contents of any renewal of the PPRS post-2018.

Therefore, under the PPRS, although the technical position is freedom of pricing at launch, there are notable constraints on individual product pricing and the profit/repayment mechanisms influence PPRS members’ pricing across their portfolios. The PPRS is not a reimbursement scheme as such, but is rather a system to control the profitability of persons placing branded medicinal products on the market.

The Government does not use external reference pricing for medicines, but UK prices are often used as reference pricing elsewhere and the above factors will be relevant where that is the case.

### *The Statutory Scheme*

Suppliers of branded medicines which do not elect to join the PPRS are subject to a statutory scheme for sales to the NHS which imposes a 15% price cut on the NHS list price of medicines on sale on December 1, 2013, unless the medicines were procured under a framework agreement under the Public Contracts Regulations 2006 before that date at a higher price than that achieved by the 15% price cut. On August 23, 2017, the Department of Health introduced a consultation on draft legislation to introduce a new statutory scheme which would remove the 15% price cut and introduce a repayment mechanism modelled on that currently applicable under the PPRS.

### *Unbranded Generics*

In principle, there is freedom of pricing for unbranded generic prescription-only pharmaceuticals, which are subject to competition on the open market. However, the following two factors may influence prices charged by generic suppliers:

- The price at which pharmacists are reimbursed for dispensing prescription generics is set by the “Drug Tariff,” Part VIIIA of which lists reimbursement prices for the vast majority of generic prescription pharmaceuticals. Different methods for calculating reimbursement pricing are applied to different categories of generics. For instance, most generics fall into Category M, the reimbursement prices for which are set based on the volume-weighted average charged by suppliers who elect to join “Scheme M” and who provide relevant pricing information. Scheme M is a voluntary scheme for the gathering of such information, i.e. the Category M reimbursement prices are based on information from some only of the suppliers of Category M products. The Government’s August 23, 2017, consultation documents (see above) suggest that Scheme M may be replaced by mandatory information provision by all suppliers of unbranded generics.
- Section 262 of the National Health Service Act 2006 (as amended by recent legislation) grants the Government power to limit any price charged by the supplier of any medicine to the NHS where that medicine is not covered by a voluntary scheme. This would in theory apply to (i) branded medicines subject to the statutory scheme, (ii) unbranded generics, (iii) OTC medicines dispensed under a prescription unless caught by the PPRS (see below) or (iv) a medicine sold OTC to the NHS. However, any enforcement under s262 requires a proactive step by the Government and consultation with a relevant industry body (such as a trade association).

### *OTC Sales*

The only potential pricing constraint on the sale of products which are actually sold OTC is s262 of the National Health Service Act 2006 (see above), and then only for OTC sales to the NHS. Otherwise, the sale of products OTC is free on the open market.

Where OTC medicines are prescribed on the NHS, two features may influence a supplier’s pricing:

- The cost of purchasing and dispensing an OTC medicine prescribed on the NHS is in principle reimbursable to community pharmacies, unless it features on a “black list” of non-reimbursable products which forms part of the Drug Tariff.
- Where an OTC medicine’s prescription sales are below £50,000, the Government may exercise a discretion to exclude such sales from PPRS calculations relevant to the profit cap and the industry repayment. A PPRS member company should therefore note that any sales of prescribed OTC products will count towards such calculations, where the Government has not exercised this discretion.

For non-PPRS-members, the Government has confirmed that OTC sales (including where OTC products are prescribed) are not subject to the statutory scheme.

### ***Reimbursement of Medicinal Products in Germany***

#### *Reimbursement Regime*

Being covered by health insurance is compulsory in Germany. There are two different types of insurance: (i) statutory health insurance, and (ii) private health insurance. For an employee, membership in the statutory health insurance system is mandatory unless his/her income rises above an annually determined threshold. One element of the German healthcare system is that medicinal products are reimbursed to the patient, either by the statutory health insurance, in which case the patient does not need to directly pay for

the products (except for a low participation fee), or by the private health insurance, in which case the patient first pays for the product and then receives reimbursement from the private health insurer.

In Germany, for the reimbursement of medicinal products according to the statutory health insurance a distinction needs to be made between prescription drugs and non-prescription drugs. Prescription-only medicinal products are only available on prescription by either a doctor, dentist or veterinarian (§ 48 German Medicinal Products Act). In general, according to the current rules and regulations, the reimbursement system applies to all prescription drugs with the exception of:

- medicinal products for the treatment of colds and flu-like infections including cold remedy, painkiller, cough steaming treatment or cough expectorant;
- mouth and throat therapeutics not involving fungal infection;
- laxative;
- medication for travel sickness;
- medication that primarily focuses on improvement of life quality;
  - erectile dysfunction;
  - increase sexual potency;
  - smoking cessation;
  - emaciation;
  - curbing appetite;
  - regulation of weight; and
  - improvement of hair growth.

The reimbursement of non-prescription medicinal products is restricted. In general, nonprescription products are not part of the reimbursement system if the insured person is older than twelve years old and does not have any developmental disorder before the end of the 18<sup>th</sup> year of life (§ 34 Abs.1 of Volume V of the Social Insurance Code). Outside the reimbursement framework there is freedom to price for manufacturers.

### *Price Setting*

For the sale of medicinal products German law provides for a pricing framework to ensure consistent prices for the same medicinal products. For the “pharmaceutical entrepreneur” (usually the marketing authorization holder) of medicinal products the principle of free pricing for products generally applies. However, a restriction for free pricing may result out of the so-called benefit assessment according to the social security code. In essence, the marketing authorization holder must prove additional benefits over comparable available products. If the marketing authorization holder fails and there is no therapeutic improvement on the basis of the benefit assessment then the medicinal product will be added to the existing reference pricing list. This also has an economic pressure effect on the marketing authorization holder to reduce the prices to the existing reference pricing list in order to be competitive on the market. If an innovative (i.e., non-generic) medicinal product demonstrates additional benefits because there is a therapeutic improvement then the price can be negotiated between the marketing authorization holder and the German federal association of statutory health insurance funds. For products in the generics market there is a mandatory discount of 10% of the ex-factory price if they are distributed at the expense of the public health care system (§ 130a of Volume V of the Social Insurance Code). There can also be other restrictions in Volume V of the Social Insurance Code such as a regulation of reference prices, compulsory manufacturer discounts.

In addition, pharmaceutical entrepreneur must guarantee a uniform sales price for medicinal products which are to be dispensed exclusively in pharmacies and are subject to reimbursement by the statutory health insurance.

In the case of non-prescription medicinal products which are to be reimbursed by the statutory health insurance, the pharmaceutical entrepreneur shall specify their uniform sales price from which exceptions may be made in individual cases (§ 78 Medicinal Products Act).

### *Reimbursement of Medicinal Products in Italy*

In order to be placed on the market, medicinal products must be priced and assigned (by AIFA, i.e. the Italian Medicines Agency) to a reimbursable class (i.e., class A, H or C), which is aimed at identifying whether the cost of a medicinal product is charged to the Italian National Health Service (the “Italian NHS”) (this is the case of class A and H products) or to the public (this is the case of class C products).

Class A includes essential products and those intended for chronic diseases (e.g., antibiotics, antidiabetic, antitumor medicines), and these are fully reimbursed by the Italian NHS. To acquire these products, a valid prescription must be obtained.

Class H includes products requiring specialist supervision that are fully reimbursed by the Italian NHS if dispensed in hospitals.

Class C includes other products which do not have the characteristics of class A or class H and are not reimbursed by the Italian NHS. In particular, class C includes prescription-only medicinal products, non-prescription-only medicinal products which cannot be advertised to the public and non-prescription-only medicinal products which may be advertised to the public (so-called OTC products).

The mechanism for determining the prices of medicinal products differs depending on whether they are reimbursable (class A and H) or not (class C).

In particular, AIFA applies price regulation only to reimbursed medicines. For non-reimbursed medicines (class C), the price is freely set by pharmaceutical companies but is monitored by AIFA and the Ministry of Health in order to keep the prices at reasonable levels. Although, in principle, the prices of class C medicinal products are freely set by the pharmaceutical companies, in practice they have been increasingly regulated by way of legislative provisions according to which pharmaceutical companies may only increase the prices of class C pharmaceuticals every other January (The prices assigned by manufacturers are maximum prices at national level. Price reductions by manufacturers are allowed at any time, whilst price increases are endorsed in January of odd years).

With reference to class C medicinal products, however:

- (a) as to medicinal products which are subject to medical prescription, AIFA carries out monitoring action aimed at verifying compliance with two main conditions: (i) that the price of medicinal products can be increased every two years (in odd years); and (ii) that the increase may not exceed the target inflation rate; and
- (b) as to medicinal products which are not subject to medical prescription, the price is freely determined by manufacturers.

With reference to class A and H medicinal products, a specific negotiation procedure between AIFA and pharmaceutical companies holding marketing authorizations is provided for in the applicable legislation in order to determine the price of the relevant medicinal products. The negotiation procedure is conducted according to the following criteria: therapeutic value, pharmacovigilance data, price in other EU countries, price of similar products within the same pharmaceutical therapeutic group, internal market forecasts, number of potential patients and therapeutic innovation.

In order to determine the price of medicinal products, the negotiation between AIFA and pharmaceutical companies requires completion of a four-stage procedure:

- (i) Pharmaceutical companies file with AIFA a specific reimbursement and pricing request supported by a dossier aimed at proving: (i) a positive cost/benefit ratio (which means that the medicinal product (a) is to be considered useful for the treatment of diseases for which there is no effective treatment, or provide a more appropriate response in respect of products already available for the same therapeutic indications; or (b) presents a more favorable risk/benefit ratio if compared to other medicinal products already available); or (ii) other elements of interest for the NHS, if the medicinal product does not present a significant clinical superiority compared to other products already available or that it is at least as effective and safer than other products already available.
- (ii) AIFA Technical Scientific Committee (“CTS”) provides its opinion on reimbursement by an evaluation of the clinical-therapeutic value.
- (iii) AIFA Pricing and Reimbursement Committee (“CPR”) evaluates the dossier, taking also into consideration the consumer spending data provided by the OSMED—National Observatory on the Use of Medicines, and hears the company as part of the negotiation.

- (iv) The negotiation outcome is submitted to the CTS for its final opinion and then to AIFA Management Board for approval.

The results of the negotiation procedure are published in the Italian Official Gazette.

A price agreement reached between AIFA and the manufacturer of the medicinal product lasts 24 months and is subject to an automatic renewal for an additional period of 24 months unless previously terminated by either party. In the event of changes in the therapeutic indications of a medicinal product leading to a potential increase in its use, the negotiation must be re-opened before the expiry of the agreement. It is common practice to establish under the negotiation procedure a proportionate relationship between the price paid and the volume of sales of the medicinal product.

If there is no agreement on the price, then the medicinal product is classified as not-reimbursable and listed in class C.

As a general principle, the price of medicinal products, which includes VAT (applied in the measure of 10%), includes the ex-factory value (which is the price of industry revenue) and the amounts due to wholesalers and pharmacists.

The pricing negotiation procedure for generics does not differ from that of other medicines, although, based on applicable regulations, it should guarantee at least a 20% price reduction below the price of the originator reference medicinal product.

The Italian NHS only reimburses class A and H medicinal products; no reimbursement is provided for class C medicinal products.

In Italy, a reference price system (“RPS”)—which is one of the instruments used to control public expenditure on pharmaceutical products—has been in effect since 2001.

Under the RPS, the Italian NHS reimburses the lowest price among the prices of off-patent medicinal products with equal composition in active ingredients, with the same pharmaceutical form, same method of administration, same number of units and same unit dosage. When patients refuse the substitution of a medicine eligible for generic substitution and/or if the doctor prescribes a pharmaceutical product with a price higher than the reference price and specifically provides that the said pharmaceutical product cannot be substituted with other products, the difference is paid by patients.

In Italy, medicinal products are traditionally distributed by pharmacies. Exceptions include a few widely used or very expensive products, which are distributed directly by the Local Health Authorities (LHAs) and by hospitals. Drug reimbursement is made by the LHAs to the pharmacies.

Once a medicinal product is authorized, it is not immediately eligible for reimbursement.

As a very general principle, reimbursement is provided for essential medicinal products, namely products: (i) for diseases for which no therapeutic alternative exists; or (ii) for which the medicinal products already available on the market do not provide a satisfactory or appropriate answer; and (iii) which present a better cost/benefit and risk/benefit analysis than those offered by medicinal products already on the market. Even in the absence of the above characteristics, medicinal products which are as safe and effective as those already on the market may be reimbursable depending on the result of their cost/benefit evaluation.

When evaluating eligibility for reimbursement, AIFA also takes into consideration the following factors in relation to the medicinal products: the sales price in other EU member states; the therapeutic class; the foreseen market share in the following 24 months; the impact on expenditures for the Italian NHS; and the place in the industrial environment.

To apply for reimbursement, the marketing authorization holder must submit an application alongside documentation proving, *inter alia*, a positive cost/benefit ratio to demonstrate that the medicinal products is to be considered useful for the treatment of diseases for which there is no medical care, or that it provides more adequate treatment compared to other medicinal products already placed on the market.

### ***Reimbursement of Medicinal Products in Spain***

Public reimbursement of medicinal products is tightly regulated by the Spanish legislation under the equality principle within the whole Health National System (“HNS”) and only applies for those prescription medicinal products (prescribed by pharmacies, hospitals or health care centers) that have been previously included in the HNS through a specific authorization granted by the State Authorities.



Medicines covered by the HNS do not include OTC medicines, but do include some prescription generics. All medicines not included in the HNS can be priced freely on the open market but subject to a communication issued to the State Authorities.

State Authorities (the Health Ministry) approve the prices and reimbursement conditions for the authorized medicinal prescription products which apply all over the territory taking into account, mainly, the characteristics of the pathologies involved, public expenditure rationalization, public budget impact, the cost effectiveness analysis and the existence of similar medicinal products. Generally, the maximum reimbursement price (referred to as the “Industry Price” below) will be equal to or below the price that would apply if the corresponding medicinal products were dispensed to patients who are not beneficiaries of the HNS. To settle the Industry Price, the pharmaceutical industry is obliged to provide to the State Authorities all the information on technical, financial and economic matters related to the relevant medicinal product.

Public reimbursement is subject to the reference price system (“RPS”) which is the maximum amount that the corresponding prescribed medicinal product included in each medicinal group (same active pharmaceutical ingredient and route of administration) will be public reimbursed, i.e. the RPS is a product group pricing benchmark which will influence the Industry Price for an individual product where the relevant product group has previously been allocated a reference price. The RPS is settled taking into consideration the lowest cost/treatment/day of the medicinal products of each group. The retail price is based on the RPS adding wholesale and pharmacy commercial margins, respectively, which are tightly regulated by the State Authorities.

The Industry Price of a particular medicinal product represents the maximum price at which an HNS medicine will be reimbursed at the manufacturing level. The marketing authorization holder who will deliver into the supply chain (typically, to a wholesaler who will on-sell to a pharmacy) will therefore be aware of the maximum price that it will collect. Wholesaler and pharmacies margins will be fixed by legislation.

Retail price equals the Industry Price plus the wholesale and pharmacies commercial margins.

Once the Industry Price is fixed, it will be annually updated by the State Authorities and can be modified if changes in the financial and technical circumstances or the evaluation of their therapeutic use obliges to.

State Authorities are entitled to proceed with the necessary inspections in order to verify if the maximum prices are being adhered to and if they are not, State Authorities will likely initiate penalty proceedings that may lead to the imposition of fines and the seizure of the medicinal products affected in case of breach.

Pricing set in other jurisdictions cannot replace the relevant price in Spain as it is needed a particular resolution issued by the State Authorities establishing the price which can be equal or different from the price of other jurisdictions.

### ***Reimbursement of Medicinal Products in Russia***

In Russia, there are two types of reimbursement schemes:

1. *For all in-patients and emergency care (under the Federal Fund for Mandatory Medical Insurance).* This scheme covers all pharmaceutical products that a patient received in a hospital (e.g. prescription-only medicines and any OTC medicines). The pharmaceutical products must be included in a standard of care developed by MoH for the given disorder and in the so-called essential drugs list (VEP), a list of drugs which should be made available in the in-patient setting, and which is used as the basis for a number of out-patient reimbursement schemes (See “—VEP Circulation”). In the case of an individual patient not responding to treatment with a VEP medicine or having an adverse reaction to a VEP, the medical panel may substitute a non-VEP medicine.
2. *For out-patients.* The out-patients reimbursement schemes include: (a) the ONLS (Population Drug Coverage) scheme covering eligible categories of patients; (b) the VZN scheme (also referred to as the “Seven Nosologies” scheme) covering patients with high-cost diseases, including mucoviscidosis and multiple sclerosis, together referred to as the DLO scheme; and (c) other schemes also covering certain groups of patients (e.g. patients suffering from orphan diseases, children under three years of age, and others).

Depending on the type of their entitlement the out-patients are eligible to receive either free or partially subsidized prescription medicines. In order to receive benefits, some patients (e.g. veterans, disabled persons) are required to present authorization documents confirming their status and can obtain a wide range of drugs for different disorders. Other patients must be included in the federal register for specified disorders and can only obtain the medicines that are included in the list of the drugs relevant to their disorder.

The prescription is issued by a consulting physician. An out-patient can obtain necessary drugs in the authorized (state or municipal) drugstores.

The general rules of VEP pricing are described in the Regulation section in respect of Russia (See “—*VEP Circulation*” above). A VEP drugs manufacturer can apply annually to re-register (to increase) the price under the rules set by the government to recover the manufacturer’s operating costs. Distributors and drugstores can each apply a mark-up limited by the regional legislature. Federal and regional authorities have the right to control retail prices and pricing during procurement procedures.

All reimbursable pharmaceutical products are purchased by hospitals and authorized drugstores solely through public procurement procedures which tender for drugs by reference to their INN, their compliance with the registered price (overpricing is prohibited) and which give priority to medicinal products from the EAEU countries in an auction. OTC product pricing is not regulated by the state.

The Order of the Ministry of Health “On the Approval of the Public Pharmacare Strategy in the Russian Federation till 2025 and its Implementation Schedule” declares a new reimbursement system in Russia, to be implemented in the future. Pilot projects have been introduced in selected regions. For example Kirov region has set up a co-payments scheme whereby a patient pays only 10% of the price of the cardiovascular disease medicines with the remaining 90% being funded from the regional budget. Several other reimbursement models are under consideration, including introduction of a reference pricing system of interchangeable drugs under which patients, if they choose, will be required to pay any difference between the reference price of the generic version and the actual price of the desired original product.

## MANAGEMENT

### The Issuers

#### *Senior Secured Notes Issuer*

The Senior Secured Notes Issuer is a public limited liability company (*Aktiengesellschaft*) organized under the laws of Germany. As of the date of this offering memorandum, the Senior Secured Notes Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Senior Secured Notes Issuer is indirectly controlled by the Sponsors. The Senior Secured Notes Issuer is registered with the register of the district court of Munich under the number HRB 231228. The Senior Secured Notes Issuer's principal business address is c/o Intertrust (Deutschland) GmbH, Grüneburgweg 58-62, 60322 Frankfurt am Main, Germany. The Senior Secured Notes Issuer's managing director can be contacted at the Senior Secured Notes Issuer's business address.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Andreas Grundhöfer . . . . .	52	Managing Director

In addition, the Senior Secured Notes Issuer has engaged the following senior consultants to assist in the transitional management of its investment. It is expected that Dr. Albrecht and Mr. Keatley will serve as STADA's chief executive officer and chief financial officer as soon as practicable following the reconstitution of the Supervisory Board.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Dr. Claudio Albrecht . . . . .	58	Consultant
Mark Keatley . . . . .	59	Consultant

Set forth below is information concerning the Senior Secured Notes Issuer's managing director and consultants.

*Andreas Grundhöfer* serves as a director of each of the Senior Secured Notes Issuer and the Senior Notes Issuer. Mr. Grundhöfer is also a managing director of Intertrust (Deutschland) GmbH and, in this role, he serves on the board of directors for a number of other securities issuing vehicles. Prior to that, Mr. Grundhöfer was director of primary servicing at Mount Street MS Services Limited from 2014 to 2016, and head of asset management in Germany at Morgan Stanley Bank AG from 2007 to 2014. Mr. Grundhöfer holds a degree in business and economy from the Verwaltungs-und Wirtschaftsakademie in Bonn.

*Dr. Claudio Albrecht* has been engaged as a senior consultant by the Senior Secured Notes Issuer. Dr. Albrecht is the co-founder and managing partner of Albrecht, Prock & Partners. Prior to founding Albrecht, Prock & Partners in 2012, Dr. Albrecht served as the chief executive officer and chairman of the board of the directors of the Actavis Group, a global generic pharmaceutical company. Prior to that, Dr. Albrecht served as the chief executive officer of the Ratiopharm Group, a German pharmaceutical company, from 2000 to 2005. Dr. Albrecht also served on the board of directors of Orifarm. Dr. Albrecht holds a PhD in law from the University of Innsbruck.

*Mark Keatley* has been engaged as a senior consultant by the Senior Secured Notes Issuer. Mr. Keatley is also a partner in Albrecht, Prock & Partners and served as the chief financial officer of Actavis International from 2012 to 2013 and of the Actavis Group from 2005 to 2012. Prior to that, Mr. Keatley served as the chief financial officer of Famar, a European contract manufacturer, from 2002 to 2005, and Ashanti Goldfields, a gold mining company which was listed on the London and New York Stock Exchanges from 1994 to 2000. Mr. Keatley has also worked in investment banking and private equity at the International Finance Corporation. He also serves in a non-executive role on the board of directors of pharmaceuticals companies Medichem SA (headquartered in Spain) since 2014, MS Pharma Ltd. (headquartered in Jordan) since 2016 and Novaxa AG (headquartered in Switzerland) since 2016, the telecommunications company P4 Holdings (Poland) and the diagnostics company Medlab Ghana Ltd since 2000. At MS Pharma Ltd. Mr. Keatley also serves as chair of the audit committee. Furthermore, Mr. Keatley served as non-executive director and chair of the audit committee at Rosita Mining Ltd (headquartered in Canada) from 2004 to 2017. Mr. Keatley holds master's degree from Cambridge University and an MBA from Stanford Business School and is a qualified accountant in the UK.

### Senior Notes Issuer

The Senior Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany. The Senior Notes Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Senior Notes Issuer is indirectly controlled by the Sponsors. The Senior Notes Issuer is registered with the commercial register of the district court of Munich under the number HRB 231527. The Senior Notes Issuer's principal business address is c/o Intertrust (Deutschland) GmbH, Grüneburgweg 58-62, 60322 Frankfurt am Main, Germany. The Senior Notes Issuer's managing director can be contacted at the Senior Notes Issuer's business address.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Andreas Grundhöfer . . . . .	52	Managing Director

The biographies of the Senior Notes Issuer's managing director and Dr. Albrecht and Mr. Keatley, who also serve as consultants to the Senior Notes Issuer, are presented above.

### Management of Target

The Target is a public limited liability company (*Aktiengesellschaft*) organized under the laws of Germany. The Target is registered with the commercial register of the district court of Frankfurt am Main under the number HRB 71290 and its business address is at Stadastraße 2-18, 61118 Bad Vilbel, Germany. The Target is managed by its Executive Board and is supervised by its Supervisory Board. The members of both the Executive Board and the Supervisory Board can be contacted at the Target's business address. The Target has also an advisory board (the "Advisory Board").

### Executive Board

The Executive Board is composed of three members. On July 4, 2017, the Supervisory Board of the Target announced the appointment of Engelbert Coster Tjeenk Willink as chief executive officer and Dr. Bernhard Düttmann as chief financial officer, following the resignation of the former chief executive officer and chief financial officer. Both appointments are on an interim basis until December 31, 2017. Dr. Barthold Piening, chief technical officer, will continue in his role on the Executive Board. Set forth below is information concerning the Executive Board.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Engelbert Coster Tjeenk Willink . . . . .	56	Chief Executive Officer
Dr. Bernhard Düttmann . . . . .	57	Chief Financial Officer
Dr. Barthold Piening . . . . .	58	Chief Technical Officer

The following section presents a brief summary of the biographies of the members of our Executive Board:

*Engelbert Coster Tjeenk Willink* has served as Chief Executive Officer since 2017. He has 25 years of experience in the pharmaceutical industry and, until 2012, was a member of the executive management of Boehringer Ingelheim GmbH, a global pharmaceutical company headquartered in Germany. Since then, he has served at numerous companies in the pharmaceutical sector as a member of the supervisory board. Mr. Willink holds a doctor of medicine from the University of Rotterdam and a degree from the University of Florida.

*Dr. Bernhard Düttmann* has served as Chief Financial Officer of the Executive Board since 2017. Prior to joining STADA, he served as chief financial officer at two German public companies. Until 2015, Dr. Düttmann served as chief financial officer at Lanxess AG, a leading specialty chemicals company headquartered in Germany and, prior to that, he held the position of chief financial officer at Beiersdorf AG, a leading personal-care company based in Germany. Dr. Düttmann holds a PhD in Economics and an MBA from the University of Cologne.

*Dr. Barthold Piening* has served as the Chief Technical Operations Officer of the Executive Board since 2017. He was previously the Chief Operations Officer and a Member of the Executive Committee at Acino International AG, Switzerland from 2014 to 2017. Prior to that, Dr. Piening was Head of Global Operations at Takeda Pharmaceuticals International AG from 2011 to 2014 and the Executive Vice President of Operations at Nycomed Group from 2010 to 2011. Dr. Piening holds a PhD and master's

degree in Pharmacy from the University of Kiel and an MBA from WHU Koblenz and the Kellogg School of Management in Chicago.

#### *Executive Board Compensation*

Pursuant to German accounting standard DRS 17, our Executive Board received total compensation of €7.7 million in the year ended December 31, 2016, and €4.9 million in the year ended December 31, 2015. Pursuant to the same standard, our Executive Board received total compensation of negative €6.6 million in the year ended December 31, 2014, which was impacted by one-off income of €17.6 million in relation to pension obligations of our former chairman of the Executive Board. Adjusted for this one-off effect, the total compensation of our Executive Board in 2014 was €11.0 million. Remuneration consisted of short-term compensation, post-employment and termination benefits and share-based payments.

#### *Supervisory Board*

The Supervisory Board is composed of nine members of which six are representatives of the shareholders and three represent the employees in accordance with German statutory requirements. Set forth below is information concerning the Supervisory Board. On August 25, 2017, STADA announced that in connection with the Acquisition certain members of its Supervisory Board (including its chairman, Carl Ferdinand Oetker) have resigned from their positions with effect as of September 25, 2017. In accordance with German corporate law, the successors to the retiring members will be appointed by court order in the near future.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Jens Steegers . . . . .	36	Deputy Chairman
Dr. Eric Cornut . . . . .	60	Member
Halil Duru . . . . .	56	Independent Works Council representative (Deputy Chairman)
Dr. Ute Pantke . . . . .	60	Director of Special Brand Projects

The following section presents a brief summary of the biographies of the members of our Supervisory Board who have not resigned:

*Jens Steegers* has served as the Deputy Chairman of the Supervisory Board since 2014. He was previously an engineer in pharmaceutical development and chemical analysis for the Target from 2006 to 2014. Mr. Steegers holds a degree in chemical engineering from the University of Applied Sciences of Niederrhein. Mr. Steegers also holds an MBA from FOM Hochschule für Ökonomie und Management.

*Dr. Eric Cornut* has served as a Member of the Supervisory Board since 2016. He was previously a director general of EFPIA, the European Federation of Pharmaceutical Industries and Associations, and the Chief Ethics, Compliance and Policy Officer of Novartis Pharma AG from 2014 to 2016. Prior to that, Dr. Cornut was the Chief Commercial Officer of Novartis Pharma AG from 2012 to 2014. Dr. Cornut holds a Master of Law from the University of California-Berkeley and holds a doctorate from the University of Basel.

*Halil Duru* has served as the Independent Works Council representative (Deputy Chairman) of the Supervisory Board since 2014. Prior to that, he was a logistics employee at the Target from 1997 to 2014. Prior to that, Mr. Duru was a production employee at the Target from 1993 to 1997.

*Dr. Ute Pantke* has served as the Director Special Brands Projects since 2017. Dr. Pantke was previously the Director Interne Kommunikation at the Target from 2014 to 2016. Prior to that, she was a manager in Internal Communications at the Target from 2011 to 2014. Dr. Pantke holds a doctorate in biology from Justus-Liebig-University Gießen.

#### *Supervisory Board Committees*

The Supervisory Board has an audit committee (the “Audit Committee”), a personnel committee (the “Personnel Committee”), a nomination committee (the “Nomination Committee”) and a strategy committee (the “Strategy Committee”). It may establish any other committee if so decided by the Supervisory Board.



### *Audit Committee*

The Audit Committee is composed of four members. As of the date of this offering memorandum, the Audit Committee is composed of Jens Steegers and three other members who have resigned from their positions with effect as of September 25, 2017. The successors to the resigning members will be appointed by the Supervisory Board.

The Audit Committee deals in particular with questions of accounting, risk management, compliance, the required independence of the auditor, the award of the audit contract to the auditor, the determination of the main areas for the audit and with the fees agreement with the auditor. In addition, the Audit Committee discusses the annual and interim reports with the Executive Board prior to their publication.

### *Personnel Committee*

The Personnel Committee is composed of four members. The chairman of the Supervisory Board is also the chairman of the Personnel Committee. As of the date of this offering memorandum, the Personnel Committee is composed of Halil Duru and three other members who have resigned from their positions with effect as of September 25, 2017. The successors to the resigning members will be appointed by the Supervisory Board.

The Personnel Committee prepares the personnel decisions of the Supervisory Board and, together with the Executive Board, is in charge of our succession planning over the long term. Furthermore, it deals with the strategic issues of the Target.

### *Nomination Committee*

The Supervisory Board established a Nomination Committee in the financial year 2016. As of the date of this offering memorandum, the Nomination Committee is composed of three members all of whom have resigned from their positions with effect as of September 25, 2017. The successors to the resigning members will be appointed by the Supervisory Board.

The Supervisory Board regularly reviews the efficiency of its activities. The subject of the efficiency review is, in addition to the qualitative criteria to be established by the Supervisory Board, in particular the procedural flows in the Supervisory Board and the information flow between the committees and the plenary as well as the prompt and sufficient provision of information to the Supervisory Board.

### *Strategy Committee*

The Supervisory Board established a Strategy Committee in the financial year 2016. As of the date of this offering memorandum, the Strategy Committee is composed of Eric Cornut (Chairman), Ute Pantke and three other members who have resigned from their positions with effect as of September 25, 2017. The successors to the resigning members will be appointed by the Supervisory Board.

The Strategy Committee supports and monitors the Executive Board in the development of the corporate strategy.

### *Supervisory Board Compensation*

Our Supervisory Board received total remuneration of €1.1 million in the year ended December 31, 2016, €1.1 million in the year ended December 31, 2015 and €1.0 million in the year ended December 31, 2014. Remuneration consisted of short-term compensation, post-employment and termination benefits and share-based payments.

### *Advisory Board*

Members of the Advisory Board are appointed by the Chairman of the Supervisory Board upon proposal of the Executive Board and the Supervisory Board. The purpose of the Advisory Board is to support and advise the Executive Board and the Supervisory Board. Members of the Advisory Board are also available to act as proxy for shareholders who do not wish to exercise their voting rights in person at the annual general meeting. The Advisory Board has eleven members as of the date of this offering memorandum.

### **Management Employment Contracts**

The current contracts with the members of the Executive Board terminate on March 31, 2020 in the case of Dr. Barthold Piening and on December 31, 2017, in the cases of Mr. Willink and Dr. Düttmann. The contracts contain standard non-compete provisions as well as change of control provisions which will be triggered by the Transaction, entitling the members of the Executive Board to terminate their contracts and to a lump sum severance payment.

### **Management Practices**

We are committed to fulfilling corporate governance requirements. We maintain internal guidelines (such as purchasing directives) and a code of conduct which is to be countersigned and adhered to by our employees. In addition, an internal audit department regularly carries out examinations on different topics.

### **Share Ownership**

It is expected that, following consummation of the Acquisition, the Sponsors will implement a management equity participation plan for the benefit of the Target Group's senior management on terms yet to be agreed.

### **Insurance for Directors and Officers**

For the benefit of our directors and officers, we have entered into a global directors and officers ("D&O") insurance policy. The policy covers our present, former and future members of the executive bodies (Executive Board, Managing Directors, Supervisory Board, Advisory Board and their deputies, authorized signatories and senior staff, as well as employees that assume certain regulatory functions such as compliance officer, data protection officer or security officer).

Our insurance cover applies worldwide and provides for an insured limit of €250 million per claim and per year for the members of the Executive Board and the Supervisory Board and €50 million per claim and per year for all other insured persons.

The D&O insurance covers financial losses due to wrongful acts in respect of claims filed against the insured persons in writing, as well as the defense of liability claims and their settlement. Insurance coverage does not extend to claims due to certain deliberate acts by the insurees and there is no insurance cover for contractual penalties, fines or punitive or exemplary damages, to the extent insurance is prohibited by law.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of its ordinary business activities, the Target Group enters into related party transactions with its shareholders, key management personnel and associates. Such transactions generally involve arm's length agreements on market terms. In addition, it is contemplated that new related party transactions will be entered into in connection with the Transactions.

### Transactions with Key Management Personnel

As of December 31, 2016, members of our executive management control less than 0.1% of our voting shares. Pursuant to German accounting standard DRS 17, our Executive Board received total compensation of €7.7 million in the year ended December 31, 2016. See "*Management—Management of Target—Executive Board—Executive Board Compensation.*"

Although we do not have a stock option plan in place, we maintain an employee share ownership program. Under this program, we regularly sell a portion of our treasury shares to our employees. In the 2016 fiscal year, we sold 2,216 shares at an average price of €36.31. Upon consummation of the Acquisition, the Sponsors intend to establish a management equity plan; see "*Management—Share Ownership.*"

Certain members of our Supervisory Board and Advisory Board are self-employed and provide consulting services to the Target Group on a regular basis. According to the Target, the amounts and transactions involved are not material.

### Transactions with Related Companies

For an overview of the material transactions between the Target Group and its related parties that affected the Target Group's financial position or net income as of and for each of the years ended December 31, 2014, 2015 and 2016, see our Financial Statements included elsewhere herein.

The Target Group provides its associate, BIOCEUTICALS Arzneimittel AG, in which the Target Group holds an equity interest of approximately 15.86% as of December 31, 2016 with a revolving credit facility that was undrawn as of December 31, 2015 and 2016 and drawn in an amount of €3.3 million as of December 31, 2014. Interest on the facility accrues at a rate that we believe is typical for venture capital.

The Target Group is also party to a service contract and distribution rights agreement with BIOCEUTICALS Arzneimittel AG. Pursuant to the distribution rights agreement BIOCEUTICALS Arzneimittel AG licenses Epo-zeta in Germany to, among others, our subsidiary STADAPHARM. The distribution rights agreement contemplates that other entities within our Target Group (in particular, our Serbian and Russian subsidiaries) are or will in the future also be granted similar distribution rights.

The Target Group also has a business relationship with its partner in respect of its Chinese joint venture, STADA Import/Export International Ltd. As of December 31, 2016, the Target has outstanding liabilities of €0.6 million under a loan extended to the Target Group by its joint venture partner.

Transactions with Entities Affiliated with our Directors and Executive Management During the periods under review, we entered into transactions with companies controlled in part by, or affiliated with, certain of our directors or members of our executive management team. None of these transactions were material, and all of these transactions were conducted in the ordinary course of our business.

### Transaction and Consulting Services Agreements

Upon consummation of the Acquisition, the Target Group may enter into transaction and consulting services agreements with the Sponsors pursuant to which we will make certain payments to the Sponsors for management, consulting, monitoring or advisory services and related expenses.

## PRINCIPAL SHAREHOLDERS

The Target, STADA Arzneimittel AG, is an *Aktiengesellschaft* organized under the laws of Germany whose common shares are listed and traded publicly on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. As of the date of this offering memorandum, the Target had a common share capital of €162,090,344 divided into 62,342,440 registered non-par value common shares. The Target believes that its common shares are held by approximately 8,850 shareholders, with approximately 96% of its outstanding shares being held by institutional investors. As of the date of this offering memorandum, the Target also held 84,311 treasury shares.

German law mandates that shareholders notify the Target within four days if certain voting thresholds are exceeded. The following table sets forth all the interests in excess of 5% of the Target's issued share capital, of which the Target has been notified on September 11, 2017. Percentages are rounded up to the nearest percent.

Name	Percentage of Voting Rights Attached to Shares	Percentage of Voting Rights Attached to Other Instruments	Total Percentage of Voting Rights
Bain Capital Investors, LLC . . . . .	65%	0%	65%
Cinven Capital Management . . . . .	65%	0%	
Bank of America Corporation . . . . .	1%	9%	10%
Paul E. Singer <sup>(1)</sup> . . . . .	13%	2%	15%
Elliott International Limited <sup>(1)</sup> . . . . .	8%	0%	8%

(1) While the Paul E. Singer and Elliott International Limited shareholdings have been subject to separate notifications of ownership, we understand that the total percentage of voting rights ascribed to Elliott International Limited are included as part of the total percentage of voting rights ascribed to Paul E. Singer, and are not in addition to them.

### Management Equity Plan

Upon consummation of the Acquisition, the Sponsors intend to establish a management equity plan; see “*Management—Share Ownership*.”

### Investors' Agreement

In connection with the Acquisition, the Sponsor Holdcos and Lux TopCo have entered into an investors' agreement concerning the Sponsor Holdcos' subscription for securities in Lux TopCo, and the rights and obligations of the Sponsor Holdcos in connection with their investment in, and the governance of, Lux TopCo and its subsidiaries (the “Investors' Agreement”). The Investors' Agreement provides for the governance rules of Lux TopCo and its subsidiaries and sets forth certain corporate actions that may be taken only with the consent of the representatives of the Sponsors. The Investors' Agreement provides certain protective rights, such as pre-emptive rights, to the Sponsor Holdcos in the event of an offering of new equity or debt securities in Lux TopCo and/or its subsidiaries to any Sponsor Holdco or its affiliates (the “Investor Securities”), and offers certain tag-along rights and rights of first offer in the event of a transfer of existing Investor Securities. Moreover, direct and indirect transfers of interests in the Investor Securities are generally restricted for a period of five years, except for certain unrestricted transfers (including, among other things, transfers to affiliates, indirect transfers pursuant to permitted syndications or in connection with a management equity participation program for the benefit of the Target Group's senior management). The Investors' Agreement also provides a framework for the Sponsors to jointly exit from their investment in the Group.

Under the Investors' Agreement each of Bain Holdco and Cinven Holdco have the right to appoint an equal number of directors to the board of Lux TopCo, and resolutions of Lux TopCo require a simple majority vote plus the affirmative vote of at least one director nominated by each of the Sponsor Holdcos at meetings and each Sponsor Holdco has the right to replicate its representation and governance right on the board of Lux TopCo on the boards of each of its subsidiaries. Each Sponsor is entitled to appoint (i) any number of persons who are employees, officers or directors of such Sponsor and (ii) one person who is not an employee, officer or director of such Sponsor as observers to the Board of Lux TopCo.

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

### Senior Secured Credit Facilities Agreement

#### *Overview and Structure*

In connection with the financing of the Acquisition, the Senior Secured Notes Issuer, on August 17, 2017, entered into the Senior Secured Credit Facilities Agreement with, among others, Barclays Bank PLC as agent, the Security Agent, and Barclays Banks PLC, Nomura Bank International plc, UBS Limited, Citigroup Global Markets Limited, Commerzbank AG, Deutsche Bank AG London Branch, ING Bank NA, a branch of ING-DIBA AG, Jefferies Finance Europe SCSP, J.P. Morgan Limited and Société Générale S.A. Frankfurt Branch, as mandated lead arrangers. The Senior Secured Credit Facilities Agreement provides for a revolving credit facility in a principal amount of €400.0 million (the “Revolving Credit Facility”) and senior term loan facilities in principal amounts of €1,715.0 million (“TLB1”) and €235.0 million (“TLB2” and together with TLB1, “Facility B”) (the Revolving Credit Facility, TLB1 and TLB2 are collectively referred to as the “Senior Credit Facilities” for the purposes of this description).

TLB1 has been and may continue to be utilized by the Senior Secured Notes Issuer, German Holdco and certain of its restricted subsidiaries which accede to the Senior Secured Credit Facilities Agreement as additional borrowers of that facility (the “TLB1 Borrowers”) and may be applied in or towards: (i) directly or indirectly, the consideration payable, or refinancing of the consideration paid or payable for the acquisition of any shares and/or warrants in the Target (including the repayment of any loan made under the Revolving Credit Facility to bridge such a purchase); (ii) the refinancing or otherwise discharging of certain existing indebtedness of the Target and its subsidiaries (the “Existing Target Debt”) and payments of related breakage costs and any other costs related to such refinancing; (iii) financing the payment directly or indirectly of certain fees, costs and expenses incurred in connection with the Acquisition; (iv) any other purpose contemplated by the funds flow statement and/or tax structure memorandum relating to the Acquisition; and (v) the payment into certain escrow accounts for application towards the purposes described in the preceding sub-paragraphs within certain prescribed timeframes.

At the option of the Senior Secured Notes Issuer and in accordance with the terms of the Senior Secured Credit Facilities Agreement, TLB1 Commitments have been requested to be redenominated from euros into sterling in an amount equal to €300 million (such redenominated commitments being “TLB1-GBP”).

TLB2 may be utilized by the Senior Secured Notes Issuer, German Holdco and certain of its restricted subsidiaries which accede to the Senior Secured Credit Facilities Agreement as additional borrowers of that facility (the “TLB2 Borrowers”) and may be used to finance: (i) the refinancing or otherwise discharging of the Existing Target Debt, payments of related breakage costs and any other costs related to such refinancing; (ii) any other purpose contemplated by the funds flow statement and/or tax structure memorandum relating to the Existing Target Debt; and (iii) the payment into certain escrow accounts for application towards the purposes described in the preceding sub-paragraphs.

The Revolving Credit Facility has been and may continue to be utilized by the Senior Secured Notes Issuer German Holdco and certain of its restricted subsidiaries which accede to the Senior Secured Credit Facilities Agreement as additional borrowers (the “RCF Borrowers”), in euros, sterling, U.S. dollars and certain other currencies readily available in the relevant interbank market (subject to obtaining the consent of all the relevant Revolving Credit Facility lenders) by the drawing of cash advances, the issue of letters of credit and ancillary facilities (on a bilateral and fronted basis).

The Revolving Credit Facility may be used for: (i) the general corporate purposes and/or working capital requirements of the Group (including any costs in connection with an acquisition of shares in the Target); (ii) any payments required pursuant to or in connection with any domination and profit and loss pooling agreement which may be entered into between the Target and the Senior Secured Notes Issuer and/or certain other entities (the “Domination Agreement”) or any payments in connection with a squeeze out procedure to acquire shares in the Target pursuant to German law; (iii) financing the purchase price for the acquisition of any Target shares and/or warrants in each case to the extent required to bridge such purchase price pending a receipt by the Senior Secured Notes Issuer of an equity contribution or a loan under TLB1; (iv) any other purpose contemplated by the tax structure memorandum relating to the Acquisition and/or the refinancing of the Existing Target Debt; and (v) financing any amount of any increase in the offer price in respect of shares in the Target as a result of the settlement date in respect of those shares occurring prior to the date on which the FY2016 profit distribution is paid by the Target.



In addition to the Revolving Credit Facility and Facility B, the Senior Secured Credit Facilities Agreement includes (in addition to other permissions under the limitation on indebtedness covenant) the ability (without double counting against the limitation on indebtedness covenant) to incur additional indebtedness (including under one or more uncommitted additional facilities within the Senior Secured Credit Facilities Agreement and/or any additional notes and/or other facilities or notes documented outside the Senior Secured Credit Facilities Agreement) up to an aggregate amount of the greater of €500.0 million and 100% of LTM EBITDA (as defined in the Senior Secured Credit Facilities Agreement and subject to certain customary additions including the amount of prepayments and buy-backs), plus an unlimited amount, provided that, pro forma for the incurrence of such additional facilities or permitted alternative debt: (i) if such indebtedness is secured on the Collateral, and subject to the Intercreditor Agreement such that such liabilities rank *pari passu* with Facility B, the consolidated senior secured net leverage ratio (as described in the “*Description of the Senior Secured Notes*”) does not exceed 5.00:1; or (ii) if the indebtedness does not fall within paragraph (i), the fixed charge coverage ratio does not exceed 2.00:1, and in each case, subject to certain other conditions being met.

#### ***Availability***

Facility B will be available on and from the date of the Senior Secured Credit Facilities Agreement up to (and including) close of business (in Frankfurt) on July 10, 2018.

The Revolving Credit Facility may be utilized from (and including) August 21, 2017 (the “Closing Date”) to (and including) the date which is one month prior to the maturity date of the Revolving Credit Facility.

#### ***Conditions Precedent***

Utilizations of the Senior Credit Facilities and escrow withdrawals are subject to customary conditions precedent.

#### ***Control Limitations***

Prior to the Control Date, where any term of the Senior Secured Credit Facilities Agreement is expressed to apply, directly or indirectly, to the Target Group (or the Senior Secured Notes Issuer has undertaken to procure compliance to any such term) such term shall be subject to substantially equivalent limitations on control of the Target Group which may be exercised by the Senior Secured Notes Issuer as set out in the “*Description of the Senior Secured Notes*.”

#### ***Interest and Fees***

Loans under the Senior Credit Facilities will initially bear interest at rates per annum equal to EURIBOR or, for loans denominated other than in Euro, LIBOR, plus an applicable margin, which in each case will be subject to a decreasing margin ratchet based on the ratio of consolidated senior secured net debt to consolidated pro forma EBITDA (each as defined in the Senior Secured Credit Facilities Agreement) (the “Senior Secured Net Leverage Ratio”).

If EURIBOR is less than zero, EURIBOR shall be deemed to be zero in respect of loans made under Facility B or the Revolving Credit Facility (as applicable). If LIBOR is less than zero, LIBOR shall be deemed to be zero in respect of loans made under the Revolving Credit Facility or TLB1-GBP (as applicable).

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility from the Closing Date to the end of the availability period applicable to the Revolving Credit Facility at a rate of 35% of the applicable margin for the Revolving Credit Facility. Commitment fees will be payable quarterly in arrears and on the date the Revolving Credit Facility is cancelled in full or on the date on which the relevant lender cancels its commitment.

Default interest will be calculated as an additional 1% on the defaulted amount.

#### ***Repayments***

The loans made under Facility B will be repaid in full on the date that is seven years from the Closing Date. In respect of the Revolving Credit Facility, each advance will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings. All outstanding amounts under the Revolving Credit Facility will be repaid on the date falling six years from the Closing Date. Amounts repaid

by the borrowers on loans made under the Revolving Credit Facility may be reborrowed, subject to certain conditions.

### ***Mandatory Prepayment***

The Senior Secured Credit Facilities Agreement will permit voluntary prepayments to be made (subject to *de minimis* amounts) and will require mandatory prepayment in full or in part in certain circumstances, including:

- on an initial public offering which does not constitute a change of control (with the percentage of proceeds to be prepaid subject to the Senior Secured Net Leverage Ratio) (a “Listing Prepayment”);
- from certain net cash proceeds received by the Senior Secured Group from certain asset disposals, to the extent not otherwise applied for a permitted purpose and required to be applied in prepayment of the Senior Credit Facilities and subject to a *de minimis* amount; and
- unless otherwise agreed by the majority lenders under the Senior Secured Credit Facilities Agreement, for each financial year (commencing with the first full financial year following the Closing Date), a percentage of excess cash flow in the event that excess cash flow exceeds a minimum threshold amount (subject to certain adjustments based on anticipated debt service, distributions to be paid to minority shareholders and certain other expenses), which percentage decreases as the Senior Secured Net Leverage Ratio decreases (an “Excess Cash Flow Prepayment”).

Upon the occurrence of a change of control (as defined in the Senior Secured Credit Facilities Agreement), each lender shall be entitled to require prepayment of its commitments within a prescribed time period. A change of control shall include:

- any person or group becoming the beneficial owner of more than 50% of the voting power of the Senior Secured Notes Issuer other than in connection with a transaction or series of transactions in which the Senior Secured Notes Issuer shall become the wholly owned subsidiary of a parent entity (as defined in the Senior Secured Credit Facilities Agreement) subject to certain conditions;
- the Senior Notes Issuer ceasing to directly own 100% of the total issued share capital of the Senior Secured Notes Issuer (or any successor entity as a result of certain mergers);
- prior to certain potential mergers of the Target permitted by the Senior Secured Credit Facilities Agreement, the Senior Secured Notes Issuer or German Holdco ceasing to (directly or indirectly) own a percentage of the issued share capital of the Target (excluding treasury shares) at least equal to 60% of such total issued share capital;
- following certain potential mergers of the Target permitted by the Senior Secured Credit Facilities Agreement, the Senior Secured Notes Issuer ceasing to (directly or indirectly) own a percentage of the issued share capital of German Holdco at least equal to 60% of such total issued share capital; and
- on a disposal of substantially all the business of the Senior Secured Group.

At the election of the Senior Secured Notes Issuer, amounts required to be prepaid pursuant to a Listing Prepayment or an Excess Cash Flow Prepayment may instead be applied in repayment of any other indebtedness of the Senior Secured Group ranking *pari passu* with Facility B.

### ***Guarantees and Security***

The Senior Credit Facilities are currently guaranteed by the Senior Secured Notes Issuer and German Holdco, and are secured by first ranking pledges over (i) the share capital of the Senior Secured Notes Issuer held by the Senior Notes Issuer; (ii) the share capital of German Holdco by the Senior Secured Notes Issuer; (iii) the material bank accounts of the Senior Secured Notes Issuer and German Holdco; (iv) the structural intra-group receivables owed to the Senior Notes Issuer by the Senior Secured Notes Issuer; (v) receivables owed to the Senior Secured Notes Issuer and German Holdco by any material subsidiary; and (vi) the shares and securities account held by German Holdco in respect of shares it owns in the Target.

Subject to certain adjustments and agreed security principles in the Senior Secured Credit Facilities Agreement, the Senior Secured Notes Issuer is required to ensure that members of the Senior Secured Group that generate at least 80% of Consolidated EBITDA (as defined in the section entitled “Description of the Notes”) are guarantors under the Senior Secured Credit Facilities Agreement (i) on

the date which is 120 days after the earlier of (A) the date on which the Senior Secured Credit Facilities are first utilized by the Target or one of its subsidiaries; and (B) the Control Date; and (ii) thereafter on the date when the annual financial statements of the Senior Secured Notes Issuer are required to be delivered to the agent under the Senior Secured Credit Facilities Agreement.

The provision and the terms of the security and guarantees set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Senior Secured Credit Facilities Agreement.

### ***Representations and Warranties***

The Senior Secured Credit Facilities Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including: (i) status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, consents, filings and laws applicable to operations and *pari passu* ranking; (ii) no insolvency, no litigation, environmental laws, taxation, and filing and stamp taxes; (iii) no default, financial statements, group structure, and no misleading information in relation to the information memorandum, the financial model relating to the Group and certain diligence reports provided; (iv) no liens, guarantees or indebtedness, except as permitted; (v) legal ownership and holding company activities; (vi) intellectual property and pension schemes; (vii) offer documents contain all material terms and conditions of the offer; and (viii) centre of main interests and compliance with sanctions and anti-corruption laws.

Certain representations and warranties were made on the Closing Date and will be repeated on the date of each utilization, on the first day of each interest period and at certain other times.

### ***Covenants***

The Senior Secured Credit Facilities Agreement contains certain of the incurrence covenants, information undertakings and related definitions (with, in each case, certain adjustments), including (i) limitations on indebtedness; (ii) limitations on restricted payments; (iii) limitations on liens (which includes a restriction on designating certain credit facilities and/or hedging obligations secured on the Collateral as Super Senior Liabilities (as defined in the section entitled “*Description of Certain Financing Arrangements—Intercreditor Agreement*”) unless, prior to such designation, Facility B has been refinanced in full (ignoring any participation (x) of a lender which has been rolled over in a refinancing (or otherwise) of Facility B and/or (y) in respect of which a lender has declined prepayment)); (iv) limitation on restrictions on distributions from restricted subsidiaries; (v) limitations on sale of assets and subsidiary stock; (vi) limitations on affiliate transactions; (vii) merger and consolidation; (viii) suspension of covenants on achievement of investment grade status; (ix) additional guarantees and intercreditor agreements; (x) no impairment of security interests; and (xi) designation of restricted and unrestricted subsidiaries.

In addition, the Senior Secured Credit Facilities Agreement also requires the Senior Secured Notes Issuer and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including covenants relating to: (i) authorizations and consents; (ii) compliance with laws; (iii) *pari passu* ranking; (iv) insurances; (v) payment of taxes; (vi) pension schemes; (vii) compliance with certain environmental laws; (viii) offer documents; (ix) maintenance of centre of main interests; (x) provision of guarantees and security, further assurance and accession to the Intercreditor Agreement; (xi) compliance with sanctions and anti-corruption laws; (xii) maintenance of ratings; (xiii) preservation of assets; (xiv) holding company; (xv) annual and quarterly financial statements; and (xvi) compliance certificates.

Solely for the benefit of the lenders participating in the Revolving Credit Facility, the Senior Secured Credit Facilities Agreement requires that, in the event that the aggregate amount of all cash loans drawn under the Revolving Credit Facility (excluding any utilizations by way of letters of credit (or bank guarantees) or ancillary facilities or any amounts utilized to fund any agreed fees in connection with the syndication of the Senior Credit Facilities) exceeds 35 per cent of the total commitments under the Revolving Credit Facility on the relevant testing date or, if higher, the total commitments under the Revolving Credit Facility as at the original date of the Senior Secured Credit Facilities Agreement (the “Revolving Test Condition”), the Senior Secured Net Leverage Ratio does not exceed 8.75 to 1.00. The Senior Secured Net Leverage Ratio is based on the definitions and adjustments in the Senior Secured Credit Facilities Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this offering memorandum.

The Senior Secured Credit Facilities Agreement contains an equity cure provision enabling the shareholders of the Senior Secured Notes Issuer to make shareholder injections by way of debt and/or equity to the Senior Secured Notes Issuer to (i) increase the consolidated pro forma EBITDA under the Senior Secured Credit Facilities Agreement, (ii) decrease consolidated senior secured net debt as defined in the Senior Secured Credit Facilities Agreement, or (iii) prepay the Revolving Credit Facility so that the Revolving Test Condition is no longer satisfied. The equity cure right may not be exercised on more than five occasions during the term of the Senior Credit Facilities and may not be utilized in consecutive quarters.

It is intended that certain agreed covenants and other provisions of the Senior Secured Credit Facilities Agreement will fall-away on the satisfaction of certain release conditions, being (i) the occurrence of a listing in respect of which the TLB Group's ratio of consolidated total net debt to consolidated pro forma EBITDA does not exceed an agreed ratio; (ii) the Senior Secured Notes Issuer having a long-term corporate credit rating equal to or better than Baa3 according to Moody's Investor Services Limited or BBB- according to Standard & Poor's Rating Services; or (iii) Facility B has achieved and maintained investment grade status.

In addition, any utilization of Facility B (or withdrawal from the relevant escrow account) prior to the Control Entry Date where the proceeds of such utilization are to be applied towards the consideration payable for any shares and/or warrants in the Target (including the prepayment/repayment of any utilization of the Revolving Credit Facility used to bridge such acquisition) will be subject to a maximum leverage condition as described in the Senior Secured Credit Facilities Agreement.

### ***Events of Default***

The Senior Secured Credit Facilities Agreement provides for substantially the same events of default as under the Notes. In addition, the Senior Secured Credit Facilities Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including (i) breach of the financial covenant, provided that, in the event of such breach, only a majority of the Lenders under the Revolving Credit Facility shall initially be entitled to take enforcement action; (ii) inaccuracy of a representation or statement when made; (iii) invalidity and unlawfulness of the Senior Credit Facilities financing documents; and (iv) material failure to comply with the Intercreditor Agreement.

### ***Governing Law***

The Senior Secured Credit Facilities Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although the information undertakings, restrictive covenants, events of default and related definitions scheduled to the Senior Secured Credit Facilities Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Senior Secured Credit Facilities Agreement is governed by English law).

### ***Intercreditor Agreement***

#### ***General***

To establish the relative rights of certain of our creditors under our financing arrangements, the Senior Secured Notes Issuer, the Senior Notes Issuer and certain Guarantors are party to and certain other Guarantors and the Trustee will accede to an Intercreditor Agreement between, among others, the agent, arrangers and lenders under our Senior Secured Credit Facilities Agreement and the Security Agent.

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement is governed by English law and sets out various matters governing the relationship of the creditors to our group including the relative ranking of certain debt of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Guarantors and any other person that becomes party to the Intercreditor Agreement as a Debtor or Third Party Security Provider, when payments can be made in respect of debt of the Debtors or Third Party Security Providers, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and provisions related to the enforcement of shared security.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and of the Trustee. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

For the purposes of this description:

“Senior Secured Group” shall mean the Senior Secured Notes Issuer and any of its Restricted Subsidiaries.

References to the “Senior Secured Notes” shall include the Senior Secured Notes and any other notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing has been made available to or by a member of the Senior Secured Group which are designated by the Senior Secured Notes Issuer as Senior Secured Notes under the Intercreditor Agreement and references to the “Topco Notes” shall include the Senior Notes and any other notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing has been made available to or by a Topco Borrower which are designated by the Senior Secured Notes Issuer as Topco Notes.

The Intercreditor Agreement uses the term “the Company” to refer to the Senior Secured Notes Issuer and “Senior Secured Notes Liabilities” to refer to the Senior Secured Notes and certain other indebtedness of the Senior Secured Notes Issuer. It uses the term “Topco” to refer to the Senior Notes Issuer and “Topco Notes Liabilities” to refer to the Senior Notes and certain other indebtedness of the Senior Notes Issuer.

### ***Ranking and Priority***

#### ***Priority of Debts***

The Intercreditor Agreement provides that the liabilities owed by the Senior Secured Notes Issuer and each other debtor (under the Intercreditor Agreement (together, the “Debtors”) (other than the Senior Notes Issuer and any member of the Senior Secured Group which is designated as a Topco Borrower under the Intercreditor Agreement (a “Topco Borrower”)) shall rank in right of priority and payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- (i) first, liabilities owed to (i) the lenders, issuing banks and ancillary lenders in relation to the Senior Secured Credit Facilities Agreement or any future senior secured facilities agreements (a “Permitted Senior Secured Facilities Agreement”) (the “Senior Lender Liabilities”), (ii) the lenders, issuing banks, and ancillary lenders in relation to any future super senior facilities agreement (a “Permitted Super Senior Secured Facilities Agreement”) and any hedge counterparty under a hedging agreement that is designated by the Senior Secured Notes Issuer as super senior (together the “Super Senior Liabilities” and creditors thereof being the “Super Senior Creditors”), (iii) the Trustee and any trustee in relation to future senior secured notes (each a “Senior Secured Notes Trustee”) (other than certain amounts paid to it in its capacity as trustee), the holders of the Notes or future senior secured notes (the “Senior Secured Notes”) and the Security Agent in relation to the Senior Secured Notes (the “Senior Secured Notes Liabilities”), (iv) the lender under any future loan made by the issuer of any Senior Secured Notes (if so designated by the Senior Secured Notes Issuer in its discretion and not including, for the avoidance of doubt, the Senior Secured Notes Issuer) to a member of the Group for the purposes of on lending the proceeds of any Senior Secured Notes together with any additional or replacement loan made on substantially the same terms (the “Senior Secured Notes Proceeds Loan Liabilities”), (v) the arrangers, agents, issuing banks and lenders under any cash management facility (a “Cash Management Facility” and the liabilities under a Cash Management Facility being the “Cash Management Facility Liabilities”), (vi) the hedge counterparties in relation to any hedging agreements that are not Super Senior Liabilities (together with the hedging designated by the Senior Secured Notes Issuer as being Super Senior Liabilities, the “Hedging Liabilities”), (vii) the lenders in relation to any future second lien facility agreement (a “Second Lien Facility Agreement” and the liabilities to the lenders under a Second Lien Facility Agreement being the “Second Lien Lender Liabilities”), (viii) any second lien notes trustee (other than certain amounts paid to it in its capacity as trustee), the holders of any future second lien notes and the Security Agent in relation to any second lien notes (such second lien notes being “Second Lien Notes” and the liabilities in respect of such Second Lien Notes being the “Second Lien Notes Liabilities” and together with the Second Lien Lender Liabilities, the “Second Lien Liabilities”), (ix) any agent or trustee under any finance documents relating to any of the aforementioned liabilities, any agent or trustee under the Topco Liabilities (as



defined below) and to any agent or trustee in relation to certain other unsecured liabilities (together the “Agent Liabilities”), *pari passu* and without any preference between them and (x) the Security Agent; and

- (ii) second, all liabilities owed (i) to the trustee (other than certain amounts paid to it in its capacity as trustee), and the holders of the Senior Notes and any future notes issued by or in relation to which a New Debt Financing has been made available to or by a Topco Borrower and designated by the Senior Secured Notes Issuer as Topco Notes and the Security Agent in relation to such Topco Notes (the “Topco Notes Liabilities”), (ii) under any future loan facility made available to any Topco Borrower (the “Topco Facility Liabilities” and together with the Topco Notes Liabilities, the “Topco Liabilities”), and (iii) the liabilities owed under any future loan (a “Topco Proceeds Loan”) made by any Topco Borrower for the purpose of on lending the proceeds of any Topco Notes or Topco Loans (the “Topco Proceeds Loan Liabilities”), *pari passu* and without any preference between them.

The Intercreditor Agreement provides that the liabilities owed by any Topco Borrower to the Secured Parties (as defined below) shall rank *pari passu* in right and priority of payment and without any preference between them in respect of (i) the Senior Lender Liabilities, (ii) the Super Senior Liabilities, (iii) the Senior Secured Notes Liabilities, (iv) the Cash Management Facility Liabilities, (v) the Hedging Liabilities, (vi) the Second Lien Lender Liabilities, (vii) the Second Lien Notes Liabilities, (viii) the Topco Liabilities, (ix) the Topco Proceeds Loan Liabilities, and (x) the Agent Liabilities.

The Intercreditor Agreement provides that the intra-group liabilities owed by one member of the Senior Secured Group to another member of the Senior Secured Group (other than any Senior Secured Notes Proceeds Loan Liabilities or Topco Proceeds Loan Liabilities) (the “Intra-Group Liabilities”) will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the creditors under the Senior Lender Liabilities, Super Senior Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities, Agent Liabilities and Notes Liabilities (such creditors, together with the Security Agent, any receiver or delegate, any creditor of the Agent Liabilities and any arranger with respect to the Secured Liabilities, the “Secured Parties”).

The Intercreditor Agreement also provides that the liabilities owed by any member of the Senior Secured Group (other than any Topco Proceeds Loan Liabilities) to a holding company of the Senior Secured Notes Issuer or to any other person who becomes a subordinated creditor (a “Subordinated Creditor”) under the Intercreditor Agreement (the “Subordinated Liabilities”) will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the Secured Parties and to the Intra-Group Liabilities.

For the purposes of this description only:

“Debt Documents” means the Intercreditor Agreement and the documents creating or evidencing the Cash Management Facility Liabilities, the Hedging Liabilities, the Second Lien Liabilities, the Senior Secured Liabilities, any Senior Secured Notes Proceeds Loan Liabilities (a “Senior Secured Notes Proceeds Loan Agreement”), the Topco Liabilities, the Topco Proceeds Loan Liabilities, the unsecured liabilities of any unsecured creditors who are party to the Intercreditor Agreement, the Subordinated Liabilities and the Intra-Group Liabilities (each as defined in this description) and any other document designated as such by the Security Agent and the Senior Secured Notes Issuer.

“Designation Date” means the first date that the Senior Secured Notes Issuer designates any Liabilities as Super Senior Liabilities in accordance with the Intercreditor Agreement.

“Finance Documents” means the Senior Secured Credit Facilities Agreement, any Permitted Senior Secured Facilities Agreement, any Permitted Super Senior Secured Facilities Agreement, the indenture in respect of any Senior Secured Notes, Second Lien Facility Agreement, the indenture in respect of any Second Lien Notes, the facility documenting any Topco Facility, the indenture in respect of any Topco Notes and any document designated by the Senior Secured Notes Issuer as an unsecured finance document under and in accordance with the Intercreditor Agreement.

“Secured Creditors” means the Senior Secured Creditors, Second Lien Creditors and the Topco Creditors (each as defined below).

“Secured Debt Documents” means the documents relating to the Senior Secured Liabilities, Second Lien Liabilities, Topco Liabilities and Hedging Liabilities.

“Third Party Security Provider” means the Senior Notes Issuer and any person that is not a member of the Senior Secured Group that has provided Transaction Security (including Topco Shared Security) but is not a Debtor in respect of any direct borrowing or guarantee liabilities of the applicable secured obligations to which that Transaction Security relates and which is designated by the Senior Secured Notes Issuer (in its discretion).

“Transaction Security” refers to security (from the Senior Secured Group, any Third Party Security Provider and Topco Shared Security (but excluding, for the avoidance of doubt, Topco Independent Transaction Security), as defined below) which is created, or expressed to be created, in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Transaction Security which is not Topco Shared Security shall secure all liabilities and present and future obligations of the Debtors and Third Party Security Providers to the Secured Parties (other than the creditors under the Topco Liabilities (the “Topco Secured Parties”)) under the Debt Documents (other than the finance documents relating to the Topco Liabilities (the “Topco Finance Documents”)).

“Topco Shared Security” refers to security at any time which is created, or expressed to be created, over (a) each of (i) the shares in the Senior Secured Notes Issuer held by the Senior Notes Issuer and (ii) all receivables owed to the Senior Notes Issuer by the Senior Secured Notes Issuer (including any Topco Proceeds Loan and the Topco Proceeds Loan and the Topco Proceeds Loan Liabilities, as applicable) and (b) to the extent not included in (a) above, (i) the shares in the Senior Secured Notes Issuer held by any direct shareholder of the Senior Secured Notes Issuer, (ii) all receivables owed to a Topco Investor, Subordinated Creditor or other Holding Company or shareholder of the Senior Secured Notes Issuer by the Senior Secured Notes Issuer (including any Topco Proceeds Loan and the Topco Proceeds Loan Liabilities), (iii) the shares in any Topco Borrower which is a member of the Senior Secured Group, (iv) all receivables owed by a member of the Senior Secured Group under any Topco Proceeds Loan (or, in the case of a Topco Borrower which is a member of the Senior Secured Group, any Senior Secured Notes Proceeds Loan), (v) any escrow account relating to the proceeds of any Topco Liabilities and (vi), any other assets not falling within limbs (b)(i), (ii), (iii), (iv) and (v) of this paragraph of a Topco Borrower which is a member of the Senior Secured Group, in each case to the extent provided for by the Topco Finance Documents at any time and designated as Topco Shared Security by the Senior Secured Notes Issuer (in its discretion) in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Topco Shared Security shall secure all liabilities and present and future obligations of each Topco Borrower that is not a member of the Senior Secured Group and each of its Restricted Subsidiaries (as defined in the documents governing the relevant Topco Notes or Topco Facility (as the case may be)) (the “Topco Group”), each Debtor and each Third Party Security Provider to the Secured Parties under the Secured Debt Documents.

“Topco Independent Transaction Security” refers to security (other than Transaction Security) which is created, or expressed to be created, by Nidda German Midco GmbH, and Topco Borrower or its affiliates (in each case, other than a member of the Senior Secured Group) and designated as such by the Senior Secured Notes Issuer (in its discretion) (together, the “Topco Independent Obligors”) in favor of the Security Agent as agent or trustee for the other Topco Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Topco Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Topco Independent Transaction Security shall secure all liabilities and present and future obligations of each Topco Independent Obligor to the Topco Secured Parties under the Topco Finance Documents.

The Senior Secured Notes and the Senior Secured Notes Guarantee will be Senior Secured Notes Liabilities for the purposes of the Intercreditor Agreement and the Senior Notes and Senior Notes Guarantee will be Topco Notes Liabilities for the purposes of the Intercreditor Agreement and the Designation Date has not occurred. On the Issue Date, no Second Lien Lender Liabilities or Second Lien Notes Liabilities will be outstanding. Such liabilities and liabilities in respect of other new debt financings may only be incurred and/or designated if not prohibited under the terms of the Debt Documents, including, without limitation, the covenants applicable to the Notes described under “*Description of the Senior Secured Notes—Certain Covenants*” and “*Description of the Senior Notes—Certain Covenants*.”

### *Guarantees and Security: Topco Creditors*

The creditors in respect of the Topco Liabilities (the “Topco Creditors”) have the right to take, accept or receive the benefit of:

- (i) any Topco Shared Security from any member of the Senior Secured Group or from a Third Party Security Provider in respect of the Topco Liabilities if and to the extent legally possible and subject to any agreed security principles, at the same time it is also offered either:
  - (A) to the Security Agent as agent or trustee for the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or
  - (B) in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee for the Secured Parties (or applicable class thereof):
    - (I) to the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or
    - (II) to the Security Agent under a parallel debt structure, joint and several creditor structure or agency structure for the benefit of the other Secured Parties (or applicable class thereof),and ranks in the same order of priority as described under “Priority of Debts” or “Priority of Security” above, provided that all amounts received or recovered by any Topco Creditor with respect to such Topco Shared Security are paid to the Security Agent for application as set out under “Application of Proceeds” below immediately;
- (ii) any guarantee, indemnity or other assurance from any member of the Senior Secured Group in respect of the Topco Liabilities in addition to any guarantee, indemnity or assurance in the original form of any Topco Finance Documents or the Intercreditor Agreement, or given to all the Secured Parties as security for the liabilities of the Topco Group, each Debtor and any Third Party Security Provider to the Secured Parties under the Debt Documents if, subject to any agreed security principles:
  - (A) (except for any guarantee, indemnity or other assurance permitted by the Finance Documents), the Secured Parties other than the Topco Creditors (the “Priority Secured Parties”) already benefit from such a guarantee, indemnity or other assurance or at the same time it is also offered to the Priority Secured Parties and ranks in the same order of priority as described under “—*Priority of Debts*” above, as applicable; and
  - (B) all amounts received by any Topco Creditor with respect to such guarantee, indemnity or assurance are paid to the Security Agent for application as set out under “—*Application of Proceeds*” below; and
- (iii) any security, guarantee indemnity or other assurance from any member of the Topco Group:
  - (A) in connection with any escrow or similar arrangements relating to amounts held by a person which is not a member of the Topco Group prior to release of those amounts to a member of the Topco Group;
  - (B) in connection with any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Secured Liabilities not prohibited by the Intercreditor Agreement; or
  - (C) as otherwise permitted by the Intercreditor Agreement.

No security (other than pursuant to the secured documents relating to Topco Independent Transaction Security or Topco Shared Security or as described above) shall be granted by a member of the Senior Secured Group in respect of any Topco Liabilities.

### ***New Debt Financing***

The Intercreditor Agreement provides, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements that will constitute, for the purposes of the Intercreditor Agreement, Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Liabilities, Topco Liabilities, Super Senior Liabilities or Pari Passu Hedging Liabilities (each a “New Debt Financing”). The conditions include certification by the Senior Secured Notes Issuer that such New Debt Financing is not prohibited under the terms of the Finance Documents.

Such financing arrangements may be implemented by way of refinancing, replacement, exchange, set-off, discharge or increase of any such new, existing, additional, supplemental or new financing arrangement under the relevant finance documents. In connection with and in order to facilitate any New Debt Financing, each agent in respect of any Priority Secured Liabilities and the Security Agent (and each other person party to a Transaction Security document or a Topco Independent Transaction Security document) is authorized and instructed to enter promptly into any new security document, amend or waive any term of an existing security document and/or release any asset from the Transaction Security or Topco Independent Transaction Security (as the case may be) subject to certain conditions, including as regards the terms of such security (which shall be, unless otherwise agreed by the Senior Secured Notes Issuer or otherwise required by the Senior Secured Notes Issuer to the extent that the existing Transaction Security or Topco Independent Transaction Security is not being amended or released and the new Transaction Security or new Topco Independent Transaction Security only secures the New Debt Financing, substantially the same as the terms applicable to the existing Transaction Security or Topco Independent Transaction Security over equivalent assets).

Where any indebtedness (“Permitted Acquired Indebtedness”) which is not prohibited under the Finance Documents is incurred by or in connection with the acquisition of (i) a person or any of its subsidiaries who, after the Closing Date, becomes a Restricted Subsidiary or merges, consolidates or is otherwise combined with a Restricted Subsidiary, or (ii) in relation to an asset of any such person or which is otherwise acquired after the Closing Date (together an “Acquired Person or Asset”), any security, guarantee, indemnity or other assurance against loss in respect of such New Debt Financing which is subsisting at the date when the conditions to the incurrence of such New Debt Financing set out in the Intercreditor Agreement have been satisfied (or is to be granted thereafter, including subject to any condition or periodic testing) shall be permitted to subsist and there is no requirement to offer that security, guarantee, indemnity or other assurance in respect of any other liabilities under any Debt Document. No security, guarantee, indemnity or other assurance against loss is required to be given by any member of the Topco Group in respect of any liabilities (including under any Debt Document) (i) over any Acquired Person or Asset if this would breach a contractual undertaking applicable to the Topco Group or is excluded or exempt from being given under the Agreed Security Principles (as defined in the Senior Secured Facilities Agreement), (ii) over any asset required (including subject to any condition) to provide credit support in relation to any Permitted Acquired Indebtedness (other than as a result of any obligation to extend any Transaction Security rateably for the benefit of such Permitted Acquired Indebtedness), or (iii) where the grant of such security, guarantee, indemnity or other assurance against loss is prevented by the documentation relation to such Permitted Acquired Indebtedness or would give rise to an obligation (including any payment obligation but not including any obligation to extend any Transaction Security rateably for the benefit of such Permitted Acquired Indebtedness) under or in relation thereto.

### ***Permitted Payments***

#### ***Permitted Payments in Respect of the Senior and Super Senior Debt***

The Debtors and Third Party Security Providers may make payment in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, Super Senior Liabilities and Cash Management Facility Liabilities (together with the Hedging Liabilities, the “Senior Secured Creditor Liabilities,” the creditors in respect thereof being the “Senior Secured Creditors”) at any time, *provided* that following certain acceleration events under the Senior Secured Facilities Agreement any Permitted Senior Secured Facilities Agreement or Senior Secured Notes Indenture or Permitted Super Senior Secured Facilities Agreement or following certain insolvency events in relation to a member of the Senior Secured Group, payments may only be made by Debtors or Third Party Security Providers and received by creditors in accordance with the provisions described below under “—*Application of Proceeds*” provided that after the Designation Date there shall be no obligation to turnover any such payments received, other than those related to an enforcement of Transaction Security or a Distressed Disposal (as defined below) of assets subject to the Transaction Security.

Any failure to make a payment in accordance with the Senior Secured Finance Documents following an acceleration event as required by the ICA shall not prevent the occurrence of an event of default under such applicable Senior Secured Finance Documents.

#### *Permitted Payments in Respect of the Second Lien Debt*

Prior to the first date on which all of the Senior Liabilities, the Super Senior Liabilities and the Senior Secured Notes Liabilities (together, the “Senior Secured Liabilities” and together with the Second Lien Liabilities and Topco Liabilities being the “Secured Liabilities”) have been discharged (the “Senior Secured Discharge Date”), the Debtors may only make specified scheduled payments in respect of the Second Lien Liabilities, in accordance with the finance documents governing such Second Lien Liabilities, subject to compliance with certain conditions in the Intercreditor Agreement.

The principal conditions are that the relevant payment (if it is a payment of principal or capitalized interest) is not prohibited by any prior ranking financing agreement, including any Permitted Super Senior Secured Facilities Agreement, Permitted Senior Secured Facilities Agreement and any Senior Secured Notes Indenture (or if it is so prohibited, that all necessary consents have been obtained to permit it), no payment stop notice has been issued to the agent or trustee for the relevant Second Lien Liabilities and no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) is continuing under any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes document.

Certain specified payments in respect of Second Lien Liabilities are also permitted at all times, notwithstanding that a payment stop notice is outstanding or such a payment default is continuing. These payments and basket amounts are substantially similar to those referenced for Topco Liabilities in (ii) of the next paragraph.

#### *Permitted Payments in Respect of Topco Liabilities*

Prior to the date which is the later of the Senior Secured Discharge Date and the first date (the “Second Lien Discharge Date”) on which all Second Lien Liabilities have been discharged (the “Priority Discharge Date”), the Senior Secured Notes Issuer, Topco Borrowers, Third Party Security Providers and other members of the Senior Secured Group may only make specified scheduled payments (including any other direct or indirect step, matter, action or dealing in relation to any Topco Liabilities otherwise prohibited under the Intercreditor Agreement) under the Topco Liabilities or under any Topco Proceeds Loan (together the “Topco Group Liabilities”) to the Topco Creditors or any holding company of the Senior Secured Notes Issuer or other lender in respect of a Topco Proceeds Loan (in respect of the Topco Proceeds Loan Liabilities only) (such payments, collectively, “Permitted Topco Payments”):

(i) if:

- (A) no Topco Payment Stop Notice (as defined below) is outstanding;
- (B) no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) has occurred and is continuing under any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes document (a “Senior Secured Payment Default”), or under the Second Lien Facilities or Second Lien Notes (a “Second Lien Payment Default”); and
- (C) the payment is of (1) any amount of principal or capitalized interest in respect of the Topco Liabilities which is not prohibited by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or any required consents to permit such payment have been obtained, (2) any other amount which is not an amount of principal or capitalized interest (such other amounts including all scheduled interest payments (including, if applicable, special interest (or liquidated damages))) and default interest on the Topco Liabilities accrued and payable in cash in accordance with the terms of the relevant Topco Finance Document (as at the date of the issue of the same or as amended in accordance with the terms of the Intercreditor Agreement and the other Debt Documents), additional amounts payable as a result of the tax gross-up provisions relating to Topco Liabilities and amounts in respect of currency indemnities in any Topco Finance Document, (3) made in pursuance of a debt buy-back program approved by the Majority Senior Secured Creditors, Majority Super Senior Creditors and Majority Second Lien Creditors (each as defined below), or (4) amounts due under any syndication strategy letter relating to the Topco Finance Documents;



- (ii) if, notwithstanding that a Topco Payment Stop Notice (as defined below) is outstanding and/or (other than in respect of paragraph (M) below) a Senior Secured Payment Default and/or a Second Lien Payment Default has occurred and is continuing and (if the Topco Borrower is a guarantor or borrower under any prior ranking debt facilities at such time, other than in respect of paragraph (K) below) irrespective of whether any creditors under prior ranking debt facilities have accelerated their debt, the payment is not prohibited to be made at such time by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or the payment is (without double counting any equivalent applicable basket in any Debt Document, but whether or not permitted by the Debt Documents): (A) of ongoing fees under any original fee letter relating to the Topco Finance Documents, (B) of commercially reasonable advisory and professional fees for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisors) and a Topco Agent's fees, costs and expenses not exceeding €1,500,000, but excluding the costs of any litigation against a Senior Secured Creditor or Second Lien Creditor (or their affiliates), (C) of any amounts owed to a Topco Agent (as defined below), (D) of costs necessary to protect, preserve or enforce security, (E) of any costs, commissions, taxes, premiums, amendment fees (including any original issue discount and other consent and/or waiver fees) and any expenses incurred in respect of (or reasonably incidental to) the Topco Finance Documents (including in relation to any reporting or listing requirements under the Topco Finance Documents), (F) of any other amount not exceeding €2,500,000 in any twelve month period, (G) of any amount of the Topco Liabilities which would have been payable but for the issue of a Topco Payment Stop Notice (which has since expired and no new Topco Payment Stop Notice is outstanding) which has been capitalized and added to the principal amount of the Topco Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Topco Liabilities during such period or any such amount described at (i)(C) above, provided that no such payment may be made if certain events of default have occurred under the Senior Secured Liabilities or Second Lien Liabilities or would occur as a result of making such payment, (H) for as long as an event of default under the Senior Secured Liabilities, Second Lien Liabilities or Topco Group Liabilities which is continuing, all or part of the Topco Liabilities being released or otherwise discharged solely in consideration for the issues of shares in any holding company of the Senior Secured Notes Issuer (a "Debt for Equity Swap") provided that no cash or cash equivalent payment is made in respect of the Topco Liabilities, that it does not result in a Change of Control as defined in any prior ranking finance agreement or Topco Finance Document and that any Liabilities owed by a member of the Senior Secured Group to another member of the Senior Secured Group, to the Subordinated Creditors or to any other holding company of the Senior Secured Notes Issuer that arise as a result of any such Debt for Equity Swap are subordinated to the Senior Secured Liabilities and Second Lien Liabilities pursuant to the Intercreditor Agreement and the Senior Secured Creditors and Second Lien Creditors are granted Transaction Security in respect of any of those Intra-Group Liabilities or Subordinated Liabilities owed by any member of the Senior Secured Group, (I) of non-cash interest made by way of capitalizing interest or issuing a non cash-pay instrument which is subordinated on the same terms as the Topco Liabilities, (J) if the payment is funded directly or indirectly with the proceeds of Topco Liabilities incurred under or pursuant to any Topco Finance Documents, (K) if the payment is made by the Topco Borrower in respect of its obligations under the Topco Finance Documents; and such payment is not directly or indirectly sourced from a member of the Senior Secured Group or such payment is funded from proceeds received by the Topco Borrower from the Senior Secured Group without breaching the terms of the Debt Documents unless the Topco Borrower is a guarantor or borrower of any prior ranking debt facilities at such time and any such prior ranking debt facility has been accelerated or an Insolvency Event has occurred; (L) if the payment is of a principal amount of the Topco Liabilities and made in accordance with a provision in a Topco Finance Document relating to prepayment upon illegality or in relation to the prepayment of a single lender in the event of a tax gross-up, increased costs or other indemnity becoming payable and (M) if no Senior Secured Payment Default or Second Lien Payment Default has occurred and is continuing the payment is a payment of principal, interest or any other amounts made on or after the final maturity date of the relevant Topco Liabilities (provided that such maturity date is no earlier than that contained in the original form of the relevant Topco Finance Document as of the date of first issuance or borrowing (as the case may be) of the applicable Topco Liabilities; or
- (iii) if the requisite Senior Secured Creditors, Super Senior Creditors and Second Lien Creditors give prior consent to that payment being made.

On or after the Priority Discharge Date, the Debtors, the Topco Borrowers and the Third Party Security Providers may make payments in respect of the Topco Group Liabilities in accordance with the Topco Finance Documents and the Topco Proceeds Loan Agreement (as applicable).

#### *Topco Liabilities Payment Block Provisions*

A Topco Payment Stop Notice (as defined below) is outstanding from the date on which, following the occurrence of an event of default under any Senior Secured Liabilities (a “Senior Secured Event of Default”) or an event of default under the Second Lien Liabilities (a “Second Lien Event of Default”), the Security Agent (acting on the instructions of the requisite Super Senior Creditors, Senior Secured Creditors or Second Lien Creditors gave the instructions for the relevant stop notice to be delivered) (a “Topco Payment Stop Notice”) to the agent under any Topco Facility (the “Topco Agent”) and the trustee under any Topco Notes (the “Topco Notes Trustee”) advising that the Senior Secured Event of Default or Second Lien Event of Default is continuing and suspending payments by the Senior Secured Group of the Topco Liabilities, until the first to occur of:

- (i) the date falling 179 days after delivery of that Topco Payment Stop Notice;
- (ii) the date on which a default occurs for failure to pay principal at the original scheduled maturity of the relevant Topco Liabilities;
- (iii) if a Topco Standstill Period (as defined below) commences after delivery of that Topco Payment Stop Notice, the date on which such standstill period expires;
- (iv) the date on which the relevant Senior Secured Event of Default or Second Lien Event of Default has been remedied or waived;
- (v) the date on which the Security Agent (acting on the instructions of whichever of the Super Senior Creditors, Senior Secured Creditors or Second Lien Creditors gave the instructions for the relevant stop notice to be delivered) delivers a notice to the Topco Borrower, the Topco Agent and the Topco Notes Trustee cancelling the payment stop notice;
- (vi) the Priority Discharge Date; and
- (vii) the date on which the Topco Creditors take any enforcement action that is permitted under the Intercreditor Agreement (see “—Permitted Topco Enforcement” below).

No Topco Payment Stop Notice may be delivered by the Security Agent in reliance on a Senior Secured Event of Default or a Second Lien Event of Default more than 45 days after the occurrence of the relevant event of default. No more than one Topco Payment Stop Notice may be served (i) with respect to the same event or set of circumstances, or (ii) in any period of 360 days.

Any failure to make a payment due in respect of the Topco Group Liabilities as a result of the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default shall not prevent (i) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Topco Group Liabilities, or (ii) the issue of an enforcement notice in respect of an event of default under the finance documents documenting any Topco Group Liabilities (a “Topco Enforcement Notice”) on behalf of the Topco Creditors.

#### *Payment Obligations and Capitalization of Interest Continue*

Nothing in the Second Lien or Topco payment block provisions will release any Debtor from the liability to make any payment (including of default interest, which shall continue to accrue) under the applicable Debt Documents even if its obligation to make such payment is restricted at any time. The accrual and capitalization of interest (if any) in accordance with the applicable Debt Documents shall continue notwithstanding the issue of a payment stop notice.

#### *Cure of Payment Stop*

If:

- (i) at any time following the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default, that Topco Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default or Second Lien Payment Default ceases to be continuing; and

- (ii) the relevant Debtor or Topco Borrower then promptly pays to the Topco Creditors or any party that has acceded to the Intercreditor Agreement as a creditor under a Topco Proceeds Loan (the “Topco Investors”) (in respect of the Topco Proceeds Loan Liabilities only) an amount equal to any payments which had accrued under the Topco Finance Documents or the Topco Proceeds Loan Agreement (as applicable) and which would have been Permitted Topco Payments but for that Topco Payment Stop Notice or Senior Secured Payment Default or Second Lien Payment Default (as the case may be),

then any event of default which may have occurred under a Topco Finance Document or Topco Proceeds Loan Agreement and any Topco Enforcement Notice which may have been issued as a result of that suspension of payments shall be deemed automatically waived without any further action being required.

### **Turnover**

Subject to certain exceptions, the Intercreditor Agreement will provide that if, at any time prior to the latest to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date, the Second Lien Discharge Date and the first date on which all of the Topco Liabilities have been fully discharged (the “Topco Discharge Date”) (the “Final Discharge Date”) any creditor (other than a Senior Secured Creditor on or after the Designation Date) receives or recovers from any Debtor, member of the Senior Secured Group or Third Party Security Provider:

- (i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents other than any payment or distribution which is either (x) not prohibited under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under “—*Application of Proceeds*”;
- (ii) any amount by way of set-off which does not give effect to a payment permitted under the Intercreditor Agreement;
- (iii) any amount:
  - (A) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents (I) after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, or (II) as a result of any other litigation or proceedings against a Debtor, member of the Senior Secured Group or any Third Party Security Provider (other than after the occurrence of an Insolvency Event); or
  - (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event;
- (iv) the proceeds of any enforcement of any of the Transaction Security except in accordance with the provisions set out below under “*Application of Proceeds*”; or
- (v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any Debtor, any member of the Senior Secured Group or Third Party Security Provider which is not in accordance with the provisions set out below under “—*Application of Proceeds*” and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that Debtor, member of the Senior Secured Group or Third Party Security Provider,

that creditor will:

- (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise on behalf and for the account of) the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

A turnover mechanism on substantially the same terms applies in the event that, at any time on or after the Designation Date but prior to the Final Discharge Date, any Senior Secured Creditor receives or recovers

from any Debtor, any member of the Senior Secured Group or Third Party Security Provider (x) any proceeds from the enforcement of security or from a Distressed Disposal (as defined below) or following an acceleration event or the enforcement of security, any proceeds arising from any of the charged property or (y) any other amounts which should otherwise be received or recovered by the Security Agent except in accordance with the provisions set out below under “—*Application of Proceeds*.”

### ***Effect of Insolvency Event***

“Insolvency Event” is defined as, in relation to any Obligor, Material Subsidiary (each as defined in the Senior Secured Facilities Agreement) or Third Party Security Provider, (a) the passing of any resolution or making of an order for insolvency, bankruptcy, winding up, dissolution, administration or reorganization, (b) a composition, compromise, assignment or arrangement with any class of creditors generally (other than any Secured Party), (c) a moratorium is declared in relation to any of its indebtedness, (d) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or any of its assets, or (e) any analogous procedure or step is taken in any jurisdiction, other than (in each case), frivolous or vexatious proceedings, proceedings or appointments which the Security Agent is satisfied will be withdrawn or unsuccessful or as permitted under any Senior Secured Credit Facility Agreement or in any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement or a Second Lien Facility Agreement, or otherwise not constituting a default.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event, any party entitled to receive a distribution out of the assets of an Obligor, Material Subsidiary or Third Party Security Provider (in the case of a Senior Secured Creditor on or after the Designation Date, only to the extent such amounts constitute proceeds of enforcement) shall direct the person responsible for the distribution to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. The Security Agent shall apply all such distributions paid to it in accordance with the provisions set out under “—*Application of Proceeds*” below.

To the extent that any member of the Senior Secured Group or Third Party Security Provider’s liabilities to creditors are, with certain exceptions, discharged by way of set-off (mandatory or otherwise and in the case of a Senior Secured Creditor on or after the Designation Date, only to the extent such amounts constitute proceeds of enforcement) after the occurrence of an Insolvency Event, any creditor benefiting from such set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under “—*Application of Proceeds*” below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

Subject to certain netting and set-off rights under ancillary or cash management facilities, each creditor irrevocably authorizes the Security Agent to take Enforcement Action (as defined below), make demands, collect and receive distributions, file claims and take other actions necessary to make recovery after the occurrence of an Insolvency Event in relation to an Obligor, member of the Senior Secured Group or Third Party Security Provider. The creditors agree to do all things the Security Agent reasonably requests in order to give effect to these provisions.

### ***Security Enforcement Regime***

#### ***Enforcement of Security***

The Intercreditor Agreement provides that the Security Agent may not take any action to enforce the Transaction Security or the Topco Independent Transaction Security without the prior written consent of an Instructing Group, Majority Second Lien Creditors or Majority Topco Creditors (as applicable) otherwise as specified in the provisions described below.

An “Instructing Group” means:

- (a) if the Designation Date has not occurred:
  - (i) prior to the Senior Secured Discharge Date, the Majority Senior Secured Creditors;

- (ii) on or after the Senior Secured Discharge Date but before the Priority Discharge Date, the Majority Second Lien Creditors; and
  - (iii) on or after the Priority Discharge Date but before the Topco Discharge Date, the Majority Topco Creditors; and
- (b) at any time on or after the occurrence of the Designation Date and:
- (i) prior to the later of the Senior Secured Discharge Date and the first date on which the Super Senior Liabilities have been fully and finally discharged (the “Super Senior Discharge Date”), Senior Secured Creditors (other than the Super Senior Creditors) representing more than 50% of the Senior Secured Liabilities (other than the Super Senior Liabilities) (the “Majority Senior Secured Creditors”), and Super Senior Creditors representing more than 50% of the Super Senior Secured Liabilities (the “Majority Super Senior Creditors”) save that, for instructions relating to enforcement, it shall mean the group of Secured Creditors entitled to give instructions in accordance with the enforcement regime described under “—*Enforcement of Transaction Security Prior to the Designation Date*” and “—*Enforcement of Transaction Security on or After the Designation Date*” below;
  - (ii) on or after the later of the Senior Secured Discharge Date and the Super Senior Discharge Date but before the Priority Discharge Date, Second Lien Creditors representing more than 50% of the Second Lien Liabilities (the “Majority Second Lien Creditors”); and
  - (iii) on or after the Priority Discharge Date but before the Topco Discharge Date, Topco Creditors representing more than 50% of the Topco Liabilities (the “Majority Topco Creditors”).

*Enforcement of Transaction Security Prior to the Designation Date*

Prior to the Designation Date, the Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by (i) the Instructing Group, (ii) if, prior to the Senior Secured Discharge Date, the Instructing Group has (A) given no instructions or has instructed the Security Agent neither to enforce or cease enforcing and (B) not required any Debtor or Third Party Security Provider to make a Distressed Disposal (as defined below), an agent or trustee under the Second Lien Liabilities (acting on the instructions of the Majority Second Lien Creditors) where the rights of the Second Lien Creditors to enforce have arisen under the Intercreditor Agreement, or (iii) if, prior to the Priority Discharge Date, the Instructing Group (or Majority Second Lien Creditors as applicable) have (A) given no instructions or have instructed the Security Agent neither to enforce or cease enforcing and (B) not required any Debtor or Third Party Security Provider to make a Distressed Disposal, a Topco Agent or the Topco Notes Trustee (acting on the instructions of the Majority Topco Creditors).

Subject to the Transaction Security having become enforceable in accordance with its terms, the Instructing Group or any other persons entitled to give instructions in accordance with the preceding paragraph may give or refrain from giving instructions to the Security Agent to enforce, or refrain from enforcing, the Transaction Security as they see fit. Notwithstanding the above paragraphs, if at any time the agents or representatives of the Second Lien Creditors or Topco Creditors then entitled to give the Security Agent instructions to enforce the Transaction Security either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the Transaction Security as the Instructing Group sees fit and the Security Agent shall act on such instructions received from the Instructing Group.

Unless (i) the Transaction Security has become enforceable as a result of an Insolvency Event or (ii) the Instructing Group or any agent of the creditors represented in the Instructing Group determines in good faith that to do so could reasonably be expected to have a material adverse effect on the Security Agent’s ability to enforce the Transaction Security or the realization proceeds of any such enforcement, before giving any such instructions to enforce the Transaction Security or take any other enforcement action the creditors represented by an Instructing Group will be required to consult with each other agent (provided that any agent in respect of Topco Liabilities need only be consulted if such enforcement relates to Topco Shared Security) for a period of up to ten Business Days or take any Enforcement Action (the “Consultation Period”) and the Instructing Group will only be entitled to give the enforcement instructions described above or take any Enforcement Action after the expiry of such Consultation Period.



### *Enforcement of Transaction Security on or After the Designation Date*

On or after the Designation Date, the Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise in accordance with the provisions described in this paragraph. If the Transaction Security has become enforceable, if either the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to issue enforcement instructions they shall deliver a copy of those instructions (an “Initial Enforcement Notice”) to the Security Agent and to the other agents, trustees and hedge counterparties.

The Security Agent will act in accordance with any instructions (provided they are consistent with the Enforcement Principles (as defined below)) received from (i) the Majority Senior Secured Creditors, (ii) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the Initial Enforcement Notice or the Super Senior Discharge has not occurred within six months of the Initial Enforcement Notice, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iii) if an Insolvency Event (other than an Insolvency Event directly caused by enforcement action taken at the request of a Super Senior Creditor) is continuing, the Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iv) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and the Majority Super Senior Creditors determine in good faith that a delay could reasonably be expected to have a material adverse effect on the Security Agent’s ability to enforce the Transaction Security or on the realization of proceeds and the Majority Super Senior Creditors deliver instructions before the Security Agent has received any instructions from the Majority Senior Secured Creditors, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (v) if, prior to the later of the Senior Secured Discharge Date and the Super Senior Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors (as applicable) have not given instructions or they have instructed the Security Agent (A) not to enforce or cease enforcing or (B) required any Debtor or Third Party Security Provider to make a Distressed Disposal, any agent or trustee in relation to the Second Lien Liabilities (the “Second Lien Agent”) (acting on the instructions of the Majority Second Lien Creditors) where the rights of the Second Lien Creditors to enforce have arisen under the Intercreditor Agreement, or (vi) if, prior to the Priority Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors or the Majority Second Lien Creditors (as applicable) have not given instructions or they have instructed the Security Agent (A) not to enforce or cease enforcing or (B) required any Debtor or Third Party Security Provider to make a Distressed Disposal an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors).

Notwithstanding the preceding paragraph, if at any time the agents or representatives of the Second Lien Creditors or Topco Creditors then entitled to give the Security Agent instructions either give such instruction or indicate any intention to give such instruction, then the Majority Senior Secured Creditors or Majority Super Senior Creditors to the extent that such group is entitled to give enforcement instructions as described in the paragraph above may give instructions to the Security Agent to enforce the Transaction Security as they see fit and the Security Agent shall act on such instructions.

“Enforcement Principles” means certain requirements as to the manner of enforcement, including that (i) to the extent consistent with a prompt and expeditious realization of value, the method of enforcement chosen should maximize the value realized from such enforcement, (ii) certain proceeds must be received in cash, and (iii) enforcement in relation to assets over €5,000,000 or shares if not carried out by way of a public auction or other competitive sales process, shall (if the Security Agent is request to do so by the Majority Super Senior Creditors or Majority Senior Secured Creditors) benefit from a fairness opinion from an investment bank, firm of accountants or third party financial adviser.

### *Enforcement—Topco Independent Transaction Security*

Subject to the Topco Independent Transaction Security having become enforceable in accordance with its terms, an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors) may give or refrain giving, instructions to the Security Agent to enforce or refrain from enforcing the Topco Independent Transaction Security as they see fit.

### *Manner of Enforcement*

If the Transaction Security or Topco Independent Transaction Security is being enforced in accordance with any of the above paragraphs, the Security Agent shall enforce the relevant Transaction Security or

Topco Independent Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor or Third Party Security Provider to be appointed by the Security Agent) as any persons entitled at any time under the above provisions shall instruct it or, in the absence of any such instructions, as the Security Agent sees fit (which may include taking no action).

No Secured Party shall have any independent power to enforce, or to have recourse to enforce, any Transaction Security or Topco Independent Transaction Security or to exercise any rights or powers arising under the security documents except through the Security Agent.

#### *Security Held by Other Creditors*

If any Transaction Security or Topco Independent Transaction Security is held by a creditor other than the Security Agent, then creditors may only enforce that Transaction Security or Topco Independent Transaction Security in accordance with instructions given by instructing creditors in accordance with the paragraphs above.

#### ***Enforcement Regime***

##### *Restrictions on Enforcement by Second Lien Creditors*

Certain of the features set out below with respect to Topco Creditors may apply to the Second Lien Creditors, with appropriate modifications for the relative position in the capital structure.

##### *Restrictions on Enforcement by Topco Creditors*

Until the Priority Discharge Date, except with the prior consent of or as required by an Instructing Group, (i) no Topco Creditor or Topco Investor shall direct the Security Agent to enforce, or otherwise require the enforcement of any Transaction Security (including the crystallization of any floating charge forming part of the Transaction Security); (ii) no Topco Creditor nor Topco Investor shall take or require the taking of any Enforcement Action (as defined below) against any member of the Senior Secured Group or Third Party Security Provider (other than in each case (and to the extent not restricted by (i) above and (iii) below) against a Topco Borrower) in relation to the Topco Group Liabilities; and (iii) no Topco Creditor nor Topco Investor nor Topco Borrower shall take or require the taking of any Enforcement Action (as defined below) in relation to Topco Proceeds Loan Liabilities, except in the case of each of (i) through (iii) as set out under “—*Permitted Topco Enforcement*” below.

Other than as restricted by (i) and (iii) in the paragraph above, any Topco Creditor may at any time take any Enforcement Action (as defined below) against any Topco Investor, Topco Borrower or any Topco Guarantor that is not a member of the Senior Secured Group, in each case in accordance with the terms of the Topco Finance Documents.

“Enforcement Action” is defined as:

- (i) (A) in relation to any liabilities (other than unsecured liabilities) the acceleration, putting on demand, making of a demand, requiring a member of the Topco Group or Third Party Security Provider to acquire such liabilities (subject to certain exceptions), exercising of rights of set-off (other than certain netting under hedging agreements or as otherwise permitted under the Debt Documents) or (B) suing or commencing proceedings in relation to such liabilities;
- (ii) premature termination or close-out of a hedging agreement, save to the extent permitted by the Intercreditor Agreement;
- (iii) the taking of steps to enforce or require the enforcement of the Transaction Security or, as the case may be, Topco Independent Transaction Security (including the crystallization of any floating charge) as a result of an acceleration event;
- (iv) entering into any composition, compromise, assignment or similar arrangement with any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees in respect of liabilities owed to a creditor under the Intercreditor Agreement (other than any action permitted under the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant finance documents); or

- (v) petitioning, applying, voting for or taking steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganization of any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees in respect of liabilities owed to a creditor under the Intercreditor Agreement or any of such Third Party Security Provider or member of the Topco Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third Party Security Provider or member of the Topco Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action, (A) suing, commencing proceedings or taking any action referred to in paragraph (i)(B) and (v) where necessary to preserve a claim, (B) discussions between or proposals made by the Priority Secured Parties with respect to enforcement of the Transaction Security in accordance with the Intercreditor Agreement, (C) bringing proceedings in connection with a securities violation, securities or listing regulations or common law fraud or to restrain any breach of the Debt Documents or for specific performance with no claims for damages, (D) proceedings brought by a Secured Party to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages, (E) demands made by Intra-Group Creditors or Subordinated Creditors to the extent they relate to payments permitted under the Intercreditor Agreement or the release of the liabilities owed to such creditors in return for the issue of shares in the relevant member of the Senior Secured Group provided that the ownership interest of the member of the Senior Secured Group is not diluted and any relevant shares remain subject to the same Transaction Security as existed prior to the issue, and (F) proceedings brought by an ancillary lender, a lender of Cash Management Facility Liabilities (a "Cash Management Facility Lender"), hedge counterparty, issuing bank, or agent or trustee in respect of the Second Lien Liabilities or Topco Liabilities to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages or in connection with any securities violation, securities or listing regulations or common law fraud.

#### *Permitted Topco Enforcement*

The restrictions set out above under "*—Restrictions on Enforcement by Topco Creditors*" will not apply in respect of the Topco Group Liabilities, Topco Proceeds Loan Liabilities, or any Transaction Security securing the Topco Group Liabilities, if:

- (i) an event of default under a Topco Finance Document or a Topco Proceeds Loan Agreement (the "Relevant Topco Default") is continuing;
- (ii) all agents or trustees in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, and Second Lien Liabilities have received a notice of the Relevant Topco Default specifying the event or circumstance in relation to the Relevant Topco Default from the Topco Agent, the Topco Notes Trustee or the Topco Borrower in relation to the relevant Topco Group Liabilities;
- (iii) a Topco Standstill Period (as defined below) has elapsed; and
- (iv) the Relevant Topco Default is continuing at the end of that Topco Standstill Period.

Promptly upon becoming aware of an event of default under a Topco Finance Document, a Topco Notes Trustee, Topco Agent or Topco Investor (as the case may be) may give a Topco Enforcement Notice notifying any agent under a Permitted Senior Secured Facilities Agreement (the "Senior Agent"), senior secured notes trustee, the Second Lien Agent and any second lien notes trustee of the existence of such event of default.

"Topco Standstill Period" means the period beginning on the date (the "Topco Standstill Start Date") a Topco Enforcement Notice is served in respect of such a Relevant Topco Default and ending on the earliest to occur of:

- (i) the date falling 179 days after the Topco Standstill Start Date (the "Topco Standstill Period");
- (ii) the date the Priority Secured Parties take any Enforcement Action in relation to a particular Debtor or Third Party Security Provider, *provided* that:
  - (A) if a Topco Standstill Period ends pursuant to this paragraph (ii), the Topco Creditors or a Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may only take the same

Enforcement Action in relation to a Topco Guarantor as the Enforcement Action taken by the Priority Secured Parties against such Topco Guarantor and not against any other member of the Senior Secured Group or Third Party Security Provider; and

- (B) Enforcement Action for the purpose of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;
- (iii) the date of an Insolvency Event (as defined above) in relation to a particular Topco Guarantor against whom Enforcement Action is to be taken; and
- (iv) the expiry of any other Topco Standstill Period outstanding at the date such first mentioned Topco Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy).

The Topco Creditors or Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may take Enforcement Action under the provisions described in this section (*Permitted Topco Enforcement*) in relation to a Relevant Topco Default even if, at the end of any relevant Topco Standstill Period or at any later time, a further Topco Standstill Period has begun as a result of any other event of default in respect of the Topco Liabilities.

#### *Option to Purchase: Topco Creditors*

Following acceleration or the enforcement of Transaction Security upon acceleration under any Senior Secured Creditor Liabilities, Second Lien Liabilities or Topco Liabilities, Topco Creditors may elect to purchase the Senior Lender Liabilities, Super Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Topco Creditors must also elect for the counterparties to hedging obligations to transfer their hedging obligations to holders in exchange (subject to specified conditions) for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

#### *Non-Distressed Disposals*

The Security Agent (on behalf of itself and the other Secured Parties) and each other person party to a Transaction Security document or a Topco Independent Transaction Security document agrees that it shall (and is irrevocably authorized, instructed and obliged to do so without further consent, agreement or instruction from any creditor, other Secured Party or Debtor) promptly following receipt of a written request from the Senior Secured Notes Issuer:

- (i) release (or procure the release) from the Transaction Security or Topco Independent Transaction Security:
  - (A) any security (and/or other claim relating to a Debt Document) over any asset which the Senior Secured Notes Issuer has confirmed is the subject of:
    - (1) a disposal not prohibited under the Finance Documents or where any applicable release and/or consent has been obtained under the applicable Finance Document including a disposal to a member of the Senior Secured Group but without prejudice to any obligation of any member of the Senior Secured Group in a Finance Document to provide replacement security;
    - (2) any other transaction not prohibited by the Finance Documents pursuant to which that asset will cease to be held or owned by a member of the Senior Secured Group; andin each case where such disposal is not a Distressed Disposal (as defined below) (in each case, a “Non-Distressed Disposal”);
  - (B) any security (and/or other claim relating to a Debt Document) over any document or other agreement requested in order for any member of the Senior Secured Group to the extent that the Senior Secured Notes Issuer has confirmed that such action is not prohibited by any Finance Document to effect any amendment or waiver or otherwise exercise any rights, comply with any obligation or take any action in relation to such document or agreement;

- (C) any security (and/or other claim relating to a Debt Document) over any asset of any member of the Senior Secured Group which has ceased or will cease to be a Debtor or guarantor to the extent that the Senior Secured Notes Issuer has confirmed that such ceasing to be a Debtor or guarantor in accordance with the terms of each Finance Document or the Agreed Security Principles (as defined in the Senior Secured Facilities Agreement); and
- (D) any security (and/or other claim relating to a Debt Document) over any other asset to the extent that the Senior Secured Notes Issuer has confirmed that such security is not required to be given or such release in accordance with the terms of any Finance Document or the Agreed Security Principles (as defined in the Senior Secured Facilities Agreement); and
- (ii) in the case of a disposal of share or ownership interest in a Debtor, other member of the Senior Secured Group or any holding company of any Debtor or any other transaction pursuant to which a Debtor, other member of the Senior Secured Group or any holding company of any Debtor will cease to be a member of the Topco Group or a Debtor, release or procure the release of that Debtor or other member of the Senior Secured Group and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents (including any claim relating to a Debt Document).

When making any request for a release pursuant to paragraphs (i)(A) or (i)(B) above, the Senior Secured Notes Issuer shall confirm in writing to the Security Agent, that the relevant disposal or other action is not prohibited as at the date of completion of such release or, at the option of the Senior Secured Notes Issuer, on the date that the definitive agreement for such disposal or similar transaction is entered into.

When making any request for a release pursuant to paragraph (i)(C) or (i)(D) above, the Senior Secured Notes Issuer shall confirm in writing to the Security Agent, that such security is not required to be given or the relevant release or cessation is otherwise in accordance with the terms of the Finance Documents or the Agreed Security Principles (as defined in the Senior Secured Facilities Agreement).

In the case of a disposal of shares or other ownership interests in a Debtor, member of the Senior Secured Group or holding company of any Debtor or any other transaction pursuant to which a Debtor, member of the Senior Secured Group or holding company of any Debtor will cease to be a member of Topco Group or a Debtor, to the extent the Senior Secured Notes Issuer has confirmed to the Security Agent that it is not prohibited by the Finance Documents, if such member of the Topco Group or a Debtor is a borrower, issuer or primary debtor under any Debt Document, such person shall have the right to voluntarily prepay all Liabilities outstanding under any Debt Document.

#### ***Distressed Disposals***

“Distressed Disposal” means a disposal of an asset or shares of, or other financial securities issued by a member of the Senior Secured Group or, in the case of a Third Party Security Provider, any Transaction Security which is being effected (a) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable as a result of an acceleration event, (b) by enforcement of the Transaction Security as a result of an acceleration event, or (c) after the occurrence of an acceleration event or the enforcement of security as a result of an acceleration event, by a Debtor or Third Party Security Provider to a person or persons which is not a member of the Topco Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor, Third Party Security Provider and the Senior Secured Notes Issuer and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement, Third Party Security Provider or Debtor):

- (i) to release the Transaction Security or any other claim over that asset, enter into any release of that Transaction Security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be necessary or desirable;
- (ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets, and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or another Debtor over that Debtor’s assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;



- (iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets, and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or a Debtor over that holding company's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;
- (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed by such Debtor or holding company or any of their subsidiaries to creditors or other Debtors:
  - (A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities (the "Transferee") will be treated as a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities, provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement; and
  - (B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Secured Parties and all or part of any other liabilities,
 on behalf of, in each case, the relevant creditors, Third Party Security Providers and Debtors;
- (v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of a subsidiary of that Disposed Entity in respect of the intra-group liabilities or liabilities owed to any Debtor, to execute and deliver or enter into any agreement to:
  - (A) transfer all or part of the obligations in respect of those intra-group liabilities or liabilities to any Debtor on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and
  - (B) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a Guarantor of the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities, liabilities owed to Debtors on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or liabilities owed to Debtors are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities as described above) shall be paid to the Security Agent for application in accordance with the provisions set out under "*—Application of Proceeds*" below as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if that disposal of liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (although the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

If a Distressed Disposal is being effected at a time when the Majority Second Lien Creditors are entitled to give and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, Subsidiary or holding company from any borrowing liabilities or guarantee liabilities owed to any Senior Secured Creditor unless those borrowing liabilities or guarantee liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) following that release.

If a Distressed Disposal is being effected at a time when the Majority Topco Creditors are entitled to give, and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantee liabilities owed to any Senior Secured Creditor or any Second Lien Creditor unless those borrowing liabilities or guarantee liabilities and any other Senior Secured Liabilities or Second Lien Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) following that release.

Where borrowing liabilities in respect of any Senior Secured Liabilities, Second Lien Liabilities, Senior Secured Notes Proceeds Loan Liabilities, Topco Liabilities or unsecured liabilities would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may elect to have those borrowing liabilities transferred to a holding company of the Senior Secured Notes Issuer, in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Senior Secured Notes Issuer and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing liabilities.

If before the Second Lien Discharge Date or the Topco Discharge Date, a Distressed Disposal is being effected such that the Second Lien Liabilities or the Topco Liabilities and Transaction Security over shares in a borrower or issuer of, or over assets of a borrower or issuer of, Second Lien Liabilities or Topco Liabilities will be released pursuant to the Intercreditor Agreement, it is a further condition to the release that either:

- (i) the Second Lien Agent, Second Lien Notes Trustee, Topco Agent and Topco Notes Trustee (as applicable) have approved the release; or
- (ii) where shares or assets of a borrower, issuer or guarantor (a “Second Lien Guarantor”) in respect of Second Lien Liabilities or Topco Guarantor are sold:
  - (A) the proceeds of such sale or disposal are in cash (or substantially in cash) and/or other marketable securities or, if the proceeds of such sale or disposal are not in cash (or substantially in cash) and/or other marketable securities, a valuation opinion has been obtained in accordance with the provisions set out below; and
  - (B) all claims of the Secured Parties (other than in relation to performance bonds, guarantees or similar instruments issued by a Secured Creditor on behalf of a member of the Senior Secured Group) against a member of the Senior Secured Group (if any), all of whose shares (other than any minority interest not owned by members of the Senior Secured Group) are pledged in favor of the Priority Secured Parties are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all Transaction Security, Topco Independent Transaction Security or other security in favor of the Secured Parties in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):
    - (I) where the Senior Secured Creditors constitute the Instructing Group, the Senior Agent and any senior secured notes trustee (i) determine, acting reasonably and in good faith, that the Senior Secured Creditors will recover more than if such claim was released or discharged but nevertheless less than the outstanding Senior Secured Liabilities, and (ii) serve a notice on the Security Agent notifying the Security Agent of the same;
    - (II) where the Second Lien Creditors constitute the Instructing Group, the Second Lien Agent and any second lien notes trustee (i) determine acting reasonably and in good faith that the Priority Secured Parties (collectively) will recover more than if such claim was released or discharged but nevertheless less than the outstanding amount of the liabilities owed to the Priority Secured Parties (the “Priority Secured Liabilities”), and (ii) serve a notice on the Security Agent notifying the Security Agent of the same; and

(III) where the Topco Creditors constitute the Instructing Group, the Topco Agent and the Topco Notes Trustee (i) determine acting reasonably and in good faith that the Priority Secured Parties and the Topco Creditors (collectively) will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Priority Secured Liabilities and the Topco Liabilities (collectively), and (ii) serve a notice on the Security Agent notifying the Security Agent of the same;

in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser) and the consideration for such sale or transfer may be in the form of non-cash consideration by way of the Senior Secured Creditors, Second Lien Creditors or Topco Creditors (whichever constitutes the Instructing Group) bidding by an appropriate mechanic the Senior Secured Liabilities, Second Lien Liabilities or Topco Liabilities (as applicable) such that the relevant liabilities would on completion be discharged to the extent of an amount equal to the amount of the offer made by the relevant creditors; and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

- (I) pursuant to a public auction or other competitive sale process run in accordance with the advice of a reputable, independent investment bank, firm of accountants or third party professional firm with a view to obtaining the best price reasonably obtainable taking into account all relevant circumstances and in which creditors under the Second Lien Liabilities and Topco Liabilities are entitled to participate as prospective buyers and/or financiers; or
- (II) where a reputable, independent investment bank, firm of accountants or third party professional firm which is regularly engaged in providing such valuations has delivered an opinion (including an enterprise valuation) in respect of such sale or disposal that the amount is fair from a financial point of view, taking into account all relevant circumstances including the method of enforcement, provided that the liability of such investment bank, firm of accountants or third party professional firm in giving such opinion may be limited to the amount of its fees in respect of such engagement.

### ***Application of Proceeds***

#### ***Order of Application—Transaction Security***

Subject to certain provisions set out in the Intercreditor Agreement and to the proviso described below, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document (other than amounts in respect of Topco Independent Transaction Security or any other security which is not Transaction Security or any guarantees provided by any holding company of the Senior Notes Issuer or any subsidiary of any holding company of the Senior Secured Notes Issuer (other than a member of the Senior Secured Group) in respect of any Topco Liabilities or Topco Proceeds Loan Liabilities) or in connection with the realization or enforcement of all or any part of the Transaction Security shall be applied at any time as the Security Agent sees fit, in the following order of priority:

- (i) in discharging any Agent Liabilities relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities and any sums owed to the Security Agent and any receiver or delegate on a *pari passu* basis;
- (ii) in payment of all costs and expenses incurred by any agent or Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- (iii) if the Designation Date has occurred, for application towards the discharge of:
  - (A) the Super Senior Lender Liabilities and liabilities to arrangers and agents thereof; and
  - (B) Hedging Liabilities that have been designated by the Senior Secured Notes Issuer as ranking alongside the Super Senior Lender Liabilities (the “Super Senior Hedging Liabilities”) (on a *pro rata* basis between the Super Senior Hedging Liabilities of each hedge counterparty),

on a *pro rata* basis and ranking *pari passu* between paragraphs (A) and (B) above, or, if the Super Senior Discharge Date has occurred, for application towards the discharge of:

- (A) the Senior Lender Liabilities and liabilities to arrangers thereof;

- (B) the Senior Secured Notes Liabilities;
  - (C) the Cash Management Facility Liabilities; and
  - (D) the Hedging Liabilities which are not Super Senior Hedging Liabilities,
- on a *pro rata* basis and ranking *pari passu* between paragraphs (A), (B), (C) and (D) above;
- (iv) if the Designation Date has not occurred, for application towards the discharge of:
    - (A) the Senior Lender Liabilities and liabilities to arrangers thereof;
    - (B) the Senior Secured Notes Liabilities;
    - (C) the Cash Management Facility Liabilities; and
    - (D) the Hedging Liabilities,
 on a *pro rata* basis and ranking *pari passu* between paragraphs (A), (B), (C) and (D) above;
  - (v) for application towards the discharge of (x) the Second Lien Lender Liabilities and liabilities to arrangers thereof, and (y) the Second Lien Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between themselves;
  - (vi) solely to the extent such proceeds are from the realization or enforcement of the Topco Shared Security and any guarantees provided by a Topco Guarantor that is a member of the Senior Secured Group or Third Party Security Provider in respect of the Topco Liabilities, for application towards the discharge of (A) the Topco Facility Liabilities and liabilities to arrangers thereof, and (B) the Topco Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between themselves;
  - (vii) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Debt Document relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and
  - (viii) the balance, if any, in payment to the relevant Debtor,

provided that, all amounts from time to time received or recovered by the Security Agent from or in respect of a Topco Borrower pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of the Transaction Security or Topco Independent Transaction Security) shall be held by the Security Agent on trust to apply at any time as the Security Agent sees fit, in the following order of priority:

- (A) in accordance with paragraph (i) above;
- (B) in accordance with paragraph (ii) above;
- (C) in accordance with paragraphs (iii), (iv), (v) and (vi) above (in each case only to the extent there are liabilities due from the relevant Topco Borrower to such creditors);
- (D) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Secured Debt Document, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and
- (E) the balance, if any, in payment to the relevant Debtor.

#### *Order of Application—Topco Independent Transaction Security*

Subject to certain provisions set out in the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Topco Document in connection with the realization or enforcement of Topco Independent Transaction Security or any guarantees provided by a Topco Guarantor (other than a member of the Senior Secured Group) (the “Topco Recoveries”) shall be applied at any time as the Security Agent sees fit, in the following order of priority:

- (i) in discharging any Agent Liabilities in respect of the Topco Liabilities (to the extent related to such Topco Recoveries), the Security Agent and any receiver or delegate, on a *pari passu* basis;
- (ii) in payment of all costs and expenses incurred by any agent or Topco Creditor in connection with any realization or enforcement of the Topco Independent Transaction Security taken in accordance with

the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) for application towards the discharge of:

(A) the Topco Facility Liabilities; and

(B) the Topco Notes Liabilities,

on a *pro rata* basis and ranking *pari passu* between paragraphs (A) and (B) above;

(iv) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability in respect of the Secured Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(v) the balance, if any, in payment to the relevant Debtor.

### ***Equalization***

The Intercreditor Agreement will provide that if, for any reason, any liabilities relating to Super Senior Liabilities, Senior Secured Liabilities, Second Lien Liabilities or Topco Liabilities remain unpaid after the first date on which certain types of Enforcement Action are taken (the “Enforcement Date”) and the resulting losses are not borne by the creditors in any given specified class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that specified class at the Enforcement Date, the relevant class of creditors will make such payments amongst themselves as the Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

### ***Required Consents***

The Intercreditor Agreement will provide that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Senior Secured Notes Issuer, the agents and trustees for the Secured Parties, and the Security Agent, provided that, to the extent that an amendment, waiver or consent only affects one class of creditors, and such amendment, waiver or consent could not reasonably be expected materially or adversely to affect the interests of the other classes of creditors, only written agreement from the agent or trustee acting on behalf of the affected class shall be required.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under “—*Application of Proceeds*” above and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of (i) each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities, (ii) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), (iii) each Hedge Counterparty (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Hedge Counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and (iv) the Senior Secured Notes Issuer.

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized to relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

### ***Amendments and Waivers: Transaction Security Documents***

Subject to certain exceptions under the Intercreditor Agreement (as described below), the Security Agent may, if the Senior Secured Notes Issuer consents, amend the terms of, release or waive any of the requirements of or grant consents under, any document creating Transaction Security or Topco Independent Transaction Security which shall be binding on each party and the prior consent of the Secured Parties is required to authorize any amendment, release or waiver of, or consent under, any document creating Transaction Security which would adversely affect the nature or scope of the assets



subject to Transaction Security or the manner in which the proceeds of enforcement of the Transaction Security or Topco Independent Transaction Security are distributed.

#### *Exceptions*

Subject to the paragraph below, an amendment, waiver or consent which relates to the rights or obligations which are personal to an agent, an arranger or the Security Agent in its capacity as such (including, without limitation, any ability of that Security Agent to act in its discretion under the Intercreditor Agreement) may not be effected without the consent of that agent, arranger or, as the case may be, Security Agent.

The preceding paragraph and the first paragraph above under “—*Amendments and Waivers: Transaction Security Documents*” are subject to certain exceptions under the Intercreditor Agreement, relating in particular to (i) any release of Transaction Security, claim or liabilities, or (ii) to any amendment waiver or consent, which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement relating to the incurrence of additional or refinancing debt or the provisions set out under “—*New Debt Financings*,” “—*Non-Distressed Disposals*” and “—*Distressed Disposals*” above. Any release, amendment, waiver or consent effected in accordance with the relevant provisions of the Debt Documents relating to such matters can be effected solely by the Senior Secured Notes Issuer and the Security Agent.

#### *Snooze/Lose*

If in relation to a request for a consent, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement, any creditor fails to respond to the request within ten Business Days (or any other period of time notified by the Senior Secured Notes Issuer, with the agreement of each of the agents or trustee in the case of a shorter period of time) or fails to provide details of its credit participation, such creditor will be disregarded or be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable.

#### *Provisions Following an IPO*

Following an initial public offering of a member of the Senior Secured Group (or a holding company thereof) (an “IPO”), the Senior Secured Notes Issuer is entitled to give notice that the terms of the Debt Documents will automatically operate so that, amongst other things, (i) the Senior Secured Group (and all related provisions) will now refer to the member of the Senior Secured Group or holding company of the Senior Secured Notes Issuer who will issue shares or whose shares are to be sold pursuant to such IPO (the “IPO Pushdown Entity,” and if any Topco Notes are not refinanced in full on or before the date of such IPO, the IPO Pushdown Entity shall be any holding company of the Senior Secured Notes Issuer which is the issuer or borrower of any Topco Liabilities) and its Restricted Subsidiaries, (ii) all financial ratio calculations shall be made excluding any holding company of the IPO Pushdown Entity, (iii) certain provisions of the Debt Documents (including representations, undertakings and events of default) will cease to apply to any holding company of the IPO Pushdown Entity.

Each holding company of the IPO Pushdown Entity shall be released from all obligations under the Debt Documents (including any Transaction Security) and each Subordinated Creditor, Third Party Security Provider, Investor (as defined in the Senior Secured Credit Facilities Agreement) or Topco Independent Obligor will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity.

Subject to the consent of the majority lenders under and as defined in the Senior Lender Liabilities, noteholders representing more than 50% of any Senior Secured Notes Liabilities, the majority lenders under and as defined in any Second Lien Facility Agreement, noteholders representing more than 50% of any Second Lien Notes Liabilities, the majority lenders under and as defined in any Topco Facility and noteholders representing more than 50% of any Topco Notes Liabilities (following the relevant IPO), each subsidiary of the IPO Pushdown Entity shall also be released from all obligations as Debtor and guarantor under the Debt Documents and from the Transaction Security (other than, in each case, borrowing liabilities). Each party to the Intercreditor Agreement shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate such matters.

### *Agreement to Override*

Unless expressly stated otherwise therein, the Intercreditor Agreement overrides anything in any other Debt Documents to the contrary (other than any Transaction Security documents which are governed by German law and need to be notarized (*beurkundet*)).

### **Senior Secured Bridge Facility Agreement**

The Senior Secured Notes Issuer, as borrower, entered into a senior bridge facility agreement on August 17, 2017, among, *inter alios*, Barclays Bank PLC, as agent, and U.S. Bank Trustees Limited, as security agent. The committed amount of €485.0 million was funded under the Senior Secured Bridge Facility Agreement on August 22, 2017. The proceeds from the Senior Secured Bridge Facility were used to pay a portion of the purchase price for the shares of the Target purchased on the First Settlement Date and to pay certain fees and expenses in connection with the funding of the Bridge Facilities and the Takeover Offer. The Senior Secured Bridge Facility governed by the Senior Secured Bridge Facility Agreement matures on August 22, 2018, when, absent the occurrence of certain events of default thereunder, the obligations under the Senior Secured Bridge Facility Agreement will convert into a long-term loan maturing on August 22, 2024. The borrowings under the Senior Secured Bridge Facility Agreement will be repaid at par, plus accrued and unpaid interest, with the proceeds from the Senior Secured Notes offered in this Offering. See “*Use of Proceeds*.”

### **Senior Unsecured Bridge Facility Agreement**

The Senior Notes Issuer, as borrower, entered into a senior unsecured bridge facility agreement on August 17, 2017, among, *inter alios*, the Senior Secured Notes Issuer, as original guarantor, Barclays Bank PLC, as agent, and U.S. Bank Trustees Limited, as security agent. The committed amount of €340.0 million was funded under the Senior Unsecured Bridge Facility Agreement on August 22, 2017. The proceeds from the Senior Unsecured Bridge Facility were lent to the Senior Secured Notes Issuer by way of a loan from the Senior Notes Issuer to the Senior Secured Notes Issuer, and were used to pay a portion of the purchase price for the shares of the Target purchased on the First Settlement Date and to pay certain fees and expenses in connection with the funding of the Bridge Facilities and the Takeover Offer. The Senior Unsecured Bridge Facility governed by the Senior Unsecured Bridge Facility Agreement matures on August 22, 2018, when, absent the occurrence of certain events of default thereunder, the obligations under the Senior Unsecured Bridge Facility Agreement will convert into a long-term loan maturing on August 22, 2025. The borrowings under the Senior Unsecured Bridge Facility Agreement will be repaid at par, plus accrued and unpaid interest, with the proceeds from the Senior Notes offered in this Offering. See “*Use of Proceeds*.”

### **Notes**

As of the date of this offering memorandum, we have outstanding indebtedness under two series of notes. The terms and conditions of each series include a change of control provision, which we expect will entitle each holder of the relevant series of notes to require the Target to redeem each note held by such holder at par following the First Settlement Date. In addition, STADA may redeem each series of notes in the event of certain adverse changes in taxation. Each series of notes also provides for a customary negative pledge clause which limits the ability of STADA and its material subsidiaries to incur liens on their respective assets to secure certain other indebtedness, without simultaneously securing the relevant series of notes on an equal and ratable basis. The terms and conditions governing each series provide for customary events of default. The most significant other terms of each series of notes are set forth below.

#### **2018 Notes**

On May 29, 2013, STADA Arzneimittel AG issued €350 million in aggregate principal amount of senior unsecured notes (the “2018 Notes”). The 2018 Notes mature on June 5, 2018, and bear interest at a fixed rate of 2.25% per annum. The 2018 Notes are senior unsecured obligations of the Target, ranking *pari passu* among themselves and *pari passu* with all other senior unsecured obligations of the Target. The net proceeds of the 2018 Notes were used for general financing purposes.

#### **2022 Notes**

On May 31, 2015, STADA Arzneimittel AG issued €300 million in aggregate principal amount of senior unsecured notes (the “2022 Notes”). The 2022 Notes mature on April 8, 2022, and bear interest at a fixed

rate of 1.75% per annum. The 2022 Notes are senior unsecured obligations of the Target, ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Target. The net proceeds of the 2022 Notes were used for general corporate purposes and, in particular, to refinance senior unsecured notes in an aggregate principal amount of €350 million, which matured on April 21, 2015.

### **Loan Agreements**

As of the date of this offering memorandum, we have outstanding indebtedness under two loan agreements with reputable banks, the details of which are set forth below. Each of these agreements provides for a change of control provision, which we expect will entitle the lender to terminate the loan and demand repayment at par following the First Settlement Date. In addition, each such agreement contains a customary negative pledge clause which limits the ability of STADA and its material subsidiaries to incur liens on their respective assets to secure certain other indebtedness, without simultaneously securing the relevant loan on an equal and ratable basis.

STADA Arzneimittel AG entered into the first loan agreement in October 2013. The agreement provides for a senior unsecured term loan in a principal amount of €40 million. The net proceeds were used to finance STADA's internationalization. Interest on the loan accrues at a variable rate equal to Euribor plus a customary margin. At each interest payment date, the loan may be prepaid at the borrower's election at par in full or in minimum increments of €1 million. As of June 30, 2017, an amount of €40 million was outstanding under this loan agreement. Any amounts outstanding under the loan must be repaid in full in October 2017. The loan agreement provides for customary events of default (including changes in STADA's corporate form and its entry into affiliation agreements (*Unternehmensverträge*) such as the DPLTA).

STADA Arzneimittel AG entered into the second loan agreement in December 2014. The agreement provides for a senior unsecured term loan in a principal amount of €25 million for the purpose of financing STADA's ordinary course working capital requirements. Interest on the loan accrues at a customary fixed rate. At each interest payment date, the loan may be prepaid at the borrower's election at par in full or in certain minimum increments. As of June 30, 2017, an amount of €25 million was outstanding under this loan agreement. Any amounts outstanding under the loan must be repaid in full in November 2018. The loan agreement provides for customary events of default.

As of June 30, 2017, STADA Arzneimittel AG had available credit facilities in an aggregate principal amount of €515 million, which have been provided by several German and international banks. Most of these credit facilities are committed and subject to a tenor of one year. A portion of such facilities contains a change of control clause or termination clause that is triggered in the event of a change of control. Due to sufficient alternative sources of cash and cash equivalents being available to STADA, such credit facilities are currently undrawn, except for the utilization of guarantee and letter of credit facilities in an aggregate principal amount equal to €4.8 million. We expect to terminate such credit facilities in light of the availability of the Revolving Credit Facility following the Acquisition.

### **Promissory Notes Loan Agreements (*Schuldscheindarlehen*)**

STADA Arzneimittel AG entered into ten promissory loan notes agreements (*Schuldscheindarlehen*) with various lenders. Each of these ten agreements provides for the issuance of senior unsecured promissory loan notes and contains a change of control provision, which we expect will entitle the lenders to terminate the loan notes following the First Settlement Date and demand repayment at par. In addition, each agreement provides for a customary negative pledge clause which limits the ability of STADA and its material subsidiaries to incur liens on their respective assets to secure certain other indebtedness, without simultaneously securing the loan notes on an equal and ratable basis. We believe that lenders who waive their right to repayment upon a change of control will require us to secure indebtedness outstanding under the relevant loan notes *pari passu* with the New Senior Secured Credit Facilities. If certain customary events of default set forth in each agreement occur, then the entire aggregate principal amount of loan notes under such agreement becomes due and payable. The most significant other terms of each agreement are set forth below.

The first promissory loan notes agreement provides for the issuance of promissory loan notes in an aggregate principal amount of €124 million and was entered into in January 2014. Interest on the loan notes accrues at a customary fixed rate. The loan notes are not voluntarily prepayable at the borrower's option, except in the event of certain adverse changes in taxation. As of June 30, 2017, an amount of

€124 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in January 2019.

The second promissory loan notes agreement provides for the issuance of promissory loan notes in an aggregate principal amount of €76 million and was entered into in January 2014. Interest on the loan notes accrues at a variable rate equal to Euribor plus a customary margin. At each interest payment date, the loan notes may be prepaid, in full but not in part, at the borrower's election at par. As of June 30, 2017, an amount of €76 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in January 2019.

The third promissory loan notes agreement provides for the issuance of promissory loan notes in an aggregate principal amount of €50 million and was entered into in November 2014. Interest on the loan notes accrues at a customary fixed rate. The loan notes are not voluntarily prepayable at the borrower's option, except in the event of certain adverse changes in taxation. As of June 30, 2017, an amount of €50 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in November 2019.

The fourth promissory loan notes agreement provides for the issuance of promissory loan notes in an aggregate principal amount of €6 million and was entered into in April 2016. Interest on the loan notes accrues at a variable rate equal to Euribor plus a customary margin. At each interest payment date, the loan notes may be prepaid, in full but not in part, at the borrower's election at par. As of June 30, 2017, an amount of €6 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in April 2023.

The fifth promissory loan notes agreement provides for the issuance of promissory loan notes in an aggregate principal amount of €68 million and was entered into in April 2016. Interest on the loan notes accrues at a variable rate equal to Euribor plus a customary margin. At each interest payment date, the loan notes may be prepaid, in full but not in part, at the borrower's election at par. As of June 30, 2017, an amount of €68 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in April 2021.

The sixth promissory loan notes agreement provides for the issuance of promissory loan notes in an aggregate principal amount of €55.5 million and was entered into in April 2016. Interest on the loan notes accrues at a customary fixed rate. The loan notes are not voluntarily prepayable at the borrower's option, except in the event of certain adverse changes in taxation. As of June 30, 2017, an amount of €55.5 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in April 2023.

The seventh promissory loan notes agreement provides for the issuance of promissory loan notes in an aggregate principal amount of €220.5 million and was entered into in April 2016. Interest on the loan notes accrues at a customary fixed rate. The loan notes are not voluntarily prepayable at the borrower's option, except in the event of certain adverse changes in taxation. As of June 30, 2017, an amount of €220.5 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in April 2021.

The eighth promissory loan notes agreement provides for the issuance of senior unsecured promissory loan notes in an aggregate principal amount equal to €20 million and was entered into in April 2014. Interest on the loan notes accrues at a variable rate equal to Euribor plus a customary margin. At each interest payment date, the loan notes may be prepaid, in full but not in part, at the borrower's election at par. As of June 30, 2017, an amount of €20 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in March 2019.

The ninth promissory loan notes agreement provides for the issuance of senior unsecured promissory loan notes in an aggregate principal amount equal to €25 million and was entered into in September 2015. Interest on the loan notes accrues at a variable rate equal to Euribor plus a customary margin. At each interest payment date, the loan notes may be prepaid, in full but not in part, at the borrower's election at par. As of June 30, 2017, an amount of €25 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in September 2019.

The tenth promissory loan notes agreement provides for the issuance of senior unsecured promissory loan notes in an aggregate principal amount equal to €20 million and was entered into in October 2015. Interest on the loan notes accrues at a customary fixed rate. The loan notes are not voluntarily prepayable at the borrower's option, except in the event of certain adverse changes in taxation. As of June 30, 2017, an

amount of €20 million was outstanding under this agreement. Any amounts outstanding under the loan must be repaid in full in October 2020.

### **Non-Recourse Factoring Arrangements**

As of the date of this offering memorandum, we have three factoring agreements in place. Under these agreements, we can sell and assign certain eligible trade receivables to our counterparty at a customary discount to face value. Such discount also includes a customary reserve amount. Our counterparty bears any default risk in excess of the reserve amount. Interest on any amounts outstanding under our factoring agreements accrues at a customary margin. Set forth below are the other key terms of each of our non-recourse factoring arrangements.

#### ***German Factoring Agreement***

In September 2009, STADA Arzneimittel AG and certain of our German subsidiaries entered into a factoring agreement. As of the date of this offering memorandum, STADA Arzneimittel AG and its German subsidiaries ALIUD Pharma GmbH, STADApHarm GmbH and STADA GmbH are a party to this factoring agreement. The agreement provides for the sale of trade receivables from our sales of pharmaceutical products in an aggregate amount of up to €91 million. It was entered into for an indefinite term and has been amended from time to time. As of June 30, 2017, an amount of €75.5 million was outstanding under this agreement.

#### ***United Kingdom Factoring Agreement***

In December 2015, our UK subsidiary Thornton & Ross Limited entered into a factoring agreement. The agreement provides for the sale of credit-insured ordinary course trade receivables in an aggregate amount of up to £30 million. The agreement was renewed in 2016 and is currently scheduled to terminate in December 2017. As of June 30, 2017, an amount of £18.1 million was outstanding under this agreement.

#### ***Spanish Factoring Agreement***

In July 2014, our Spanish subsidiary Laboratorio STADA SL entered into a factoring agreement with HSBC Trinkaus & Burkhardt AG. The agreement provides for the sale of trade receivables in an aggregate amount of up to €17.5 million. The agreement has been entered for an indefinite term, subject to either party's right to terminate upon three months' prior notice. As of June 30, 2017, an amount of €13.8 million was outstanding under this agreement.

### **Local Credit Lines**

As of the date of this offering memorandum, our Serbian subsidiary Hemofarm AD Vrsac has five local credit facilities with reputable banks in place:

- The first facility agreement was entered in December 2010. It provides for a revolving unsecured credit facility in a principal amount equal to up to approximately €10 million that is available for drawdown in euro, Serbian dinar and U.S. dollar. Interest on the facility accrues at a variable rate equal to Belibor plus a customary margin. The agreement is currently scheduled to terminate in May 2018.
- The second facility agreement was entered in September 2015. It provides for a working capital facility in a principal amount equal to up to approximately €20 million that is available for drawdown in Serbian dinar. Interest on the facility accrues at a variable rate equal to Belibor plus a customary margin. The agreement is currently scheduled to terminate in January 2018.
- The third facility agreement was entered in February 2017. It provides for revolving unsecured credit facilities, letter of credit facilities and guarantee facilities in an aggregate principal amount equal to up to approximately €5 million. Each facility is available for drawing only in Serbian dinar. Interest on the facility accrues at a variable rate equal to Belibor plus a customary margin. The agreement is currently scheduled to terminate in January 2018.
- The fourth facility agreement was entered in May 2015. It provides for revolving unsecured credit facilities, letter of credit facilities and guarantee facilities in an aggregate principal amount of up to 1,500 million Serbian dinar (which is equal to approximately €12.5 million). Facility is available for drawdown in euro, Serbian Dinar and U.S. dollar. Interest on the facility accrues at a variable rate



equal to Belibor plus a customary margin. The agreement is currently scheduled to terminate in May 2018.

- The fifth facility agreement was entered in August 2015. It provides for a revolving unsecured credit facility in a principal amount equal to up to approximately €10 million that is available for drawdown in Serbian dinar. Interest on the facility accrues at a variable rate equal to Belibor plus a customary margin. The agreement is currently scheduled to terminate in May 2018.

In addition, our Argentinian subsidiary Laboratorio Vannier S.A. has credit facilities in a principal amount equal to approximately €2.5 million.

### **Derivative Agreements**

As of the date of this offering memorandum, we have certain derivative instruments in place (including foreign exchange forward contracts and cross-currency swap agreements) all of which relate to currency hedging. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures Regarding Financial Risks—Currency Risk.*”

## DESCRIPTION OF THE SENIOR SECURED NOTES

The following is a description of the €735.0 million in aggregate principal amount of 3.50% Senior Secured Notes due 2024 (the “*Senior Secured Notes*”). The Senior Secured Notes will be issued by Nidda Healthcare Holding AG (the “*Issuer*”). You will find definitions of certain capitalized terms used in this “*Description of the Senior Secured Notes*” under the heading “*Certain Definitions*” below. For purposes of this “*Description of the Senior Secured Notes*,” references to the “*Issuer*,” “*we*,” “*our*,” and “*us*” refer only to Nidda Healthcare Holding AG and not to any of its Subsidiaries.

The Issuer will issue the Senior Secured Notes under an indenture to be dated on or about September 29, 2017 (the “*Senior Secured Notes Indenture*”), between, *inter alios*, the Issuer, Nidda Healthcare GmbH (“*German Holdco*” or the “*Initial Guarantor*”), as guarantor, U.S. Bank Trustees Limited, as trustee (in such capacity, the “*Trustee*”) and as security agent (in such capacity, the “*Security Agent*”), and Elavon Financial Services DAC, UK Branch, as paying agent, in a private transaction that is not subject to the registration requirements of the Securities Act. The Senior Secured Notes Indenture will not be qualified under, incorporate by reference or include, or be subject to, any of the provisions of the Trust Indenture Act, including Section 316(b) thereof. Consequently, the Holders will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including among other things, those requiring the Trustee to resign in the event of certain conflicts of interest and to inform Holders of certain relationships between it and us.

A portion of the proceeds from the offering of the Senior Secured Notes sold on the Issue Date will be used by the Issuer, together with cash on hand, to repay amounts outstanding under the Senior Secured Bridge Facility and to pay fees and expenses incurred in connection with the offering and issuance of the Senior Secured Notes and the Senior Notes. The proceeds from the Bridge Facilities, together with proceeds from the Senior Term Loan, were drawn on August 22, 2017, to finance the acquisition by Bain Capital and Cinven (together with certain co-investors, including Partners Group AG) of approximately 64% of the Target’s issued and outstanding common shares in a voluntary public tender offer (*Freiwilliges Übernahmeangebot*) (the “*Offer*”) by the Issuer for the Target Shares, and to pay certain fees and expenses related to the Transactions. The remaining portion of the proceeds from the offering of the Senior Secured Notes will be deposited into a secured account for future utilization. See “*Summary—The Transactions*.”

Upon the initial issuance of the Senior Secured Notes on the Issue Date, the Senior Secured Notes will only be obligations of the Issuer and the Initial Guarantor and will not be guaranteed by the Target or any of its Subsidiaries. Subject to the Agreed Security Principles and the occurrence of the Control Date, the Target and certain of its Subsidiaries organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland (the “*Post-Control Date Guarantors*”) are expected to enter into one or more supplemental indentures to become a party to the Senior Secured Notes Indenture and guarantee the Senior Secured Notes on a senior secured basis on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Facilities and (b) 120 days from the Control Date.

Prior to the Control Date, the Issuer may not be able to cause the Target Group to comply with the covenants described in this “*Description of the Senior Secured Notes*” or other agreements under the Senior Secured Notes Indenture due to statutory limitations on the influence of shareholders on a publicly listed German company such as the Target. As such, we cannot assure you that prior to the Control Date, the Target and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Senior Secured Notes Indenture had those covenants or other agreements been applicable to such entities as of the Issue Date, and any such non-compliance will not constitute a default or Event of Default under the Senior Secured Notes Indenture. See “*Certain Covenants—Acknowledgment of Control Limitations*.”

The Senior Secured Notes Indenture will be unlimited in aggregate principal amount, of which €735 million in aggregate principal amount of Senior Secured Notes will be issued in this offering. We may, subject to applicable law and the terms of the Senior Secured Notes Indenture, issue an unlimited principal amount of additional Senior Secured Notes having identical terms and conditions (other than price) as the Senior Secured Notes (any such additional Senior Secured Notes actually issued, the “*Additional Senior Secured Notes*”); *provided* that if any series of Additional Senior Secured Notes is not fungible for U.S. federal income tax purposes with the Senior Secured Notes, such Additional Senior Secured Notes will be issued with a separate ISIN code or common code from the Senior Secured Notes originally issued. We will only be permitted to issue Additional Senior Secured Notes in compliance with the covenants contained in the Senior Secured Notes Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens. See “*Certain Covenants—Limitation on Indebtedness*” and “*Certain*

*Covenants—Limitation on Liens.*” Except as otherwise provided for in the Senior Secured Notes Indenture, the Senior Secured Notes, and if issued, Additional Senior Secured Notes, will be treated as a single class for all purposes under the Senior Secured Notes Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, in this “*Description of the Senior Secured Notes*,” references to the “Senior Secured Notes” include the Senior Secured Notes and any Additional Senior Secured Notes that are actually issued under the Senior Secured Notes Indenture.

The Senior Secured Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below), and in the case of certain conflicts between the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement, the terms of the Intercreditor Agreement will prevail. The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, the procedures for undertaking enforcement action, the subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” for a description of certain terms of the Intercreditor Agreement.

This “*Description of the Senior Secured Notes*” is intended to be an overview of the material provisions of the Senior Secured Notes and the Senior Secured Notes Indenture and refers to the Intercreditor Agreement and the Senior Secured Security Documents. Since this description of the terms of the Senior Secured Notes is only a summary, you should refer to the Senior Secured Notes, the Senior Secured Notes Indenture, the Intercreditor Agreement and the Senior Secured Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of such documents will be available from us upon request on and after the Issue Date.

The registered Holder of a Senior Secured Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Secured Notes Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Senior Secured Notes have not been, and will not be, registered under the Securities Act and will be subject to certain transfer restrictions.

## **General**

### ***The Senior Secured Notes***

The Senior Secured Notes will:

- be general senior obligations of the Issuer, secured as set forth under “*Security*”;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Senior Secured Notes (including obligations of the Issuer under the Senior Facilities Agreement and certain hedging obligations);
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior Secured Notes, including the Senior Notes Guarantees;
- be effectively subordinated to any existing or future indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such obligation or indebtedness;
- be structurally subordinated to any existing or future indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to their trade creditors;
- be (i) guaranteed by the Initial Guarantor on a senior secured basis on the Issue Date and (ii) subject to the Agreed Security Principles and the occurrence of the Control Date, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Facilities and (b) 120 days from the Control Date be guaranteed by such Post-Control Date Guarantors, in each case, on a senior basis;
- mature on September 30, 2024; and

- be represented by one or more registered Senior Secured Notes in global form, but in certain circumstances may be represented by Definitive Registered Senior Secured Notes (as defined below). See “*Book-Entry, Delivery and Form.*”

Under the terms of the Intercreditor Agreement, the Holders will receive proceeds from the enforcement of the Collateral (as defined below) on a *pari passu* basis with all indebtedness that is not subordinated in right of payment to the Senior Secured Notes and the Senior Secured Notes Guarantees, including obligations under the Senior Facilities Agreement and certain hedging obligations; *provided, however*, that the Revolving Credit Facility may be re-designated as a “super senior” obligation under the Intercreditor Agreement, and following such re-designation, Holders will only receive proceeds from the enforcement of the Collateral after the obligations thereunder (and certain super senior hedging obligations) have been paid in full. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Certain Definitions—Permitted Collateral Liens.*”

The Issuer is a holding company incorporated for the purposes of the Transactions, and the Issuer’s only material assets are its indirect interests in the Target Group held through its Subsidiary, German Holdco. All of the operations of the Issuer will be conducted through its Subsidiaries. Therefore, after the Issue Date, the Issuer will depend on the receipt of funds from its Subsidiaries (whether in the form of dividends, other distributions, return on capital or payments with respect to intercompany obligations) to meet its obligations, including its obligations under the Senior Secured Notes. The Senior Secured Notes will be structurally subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer’s Subsidiaries that are not Guarantors.

As of the Issue Date, German Holdco, the Target and all of the Target’s Subsidiaries will be “*Restricted Subsidiaries*” for the purposes of the Senior Secured Notes Indenture. However, under the circumstances described below under “*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries,*” we will be permitted to designate certain of our Subsidiaries as “*Unrestricted Subsidiaries.*” Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Secured Notes Indenture and will not guarantee the Senior Secured Notes.

As of June 30, 2017, after giving pro forma effect to the Transactions (and assuming that all of the Existing Target Debt Financing has been repaid by drawings under the Senior Facilities Agreement and cash and cash equivalents of the Target Group), the Issuer and its consolidated Subsidiaries would have had €2,435 million of Indebtedness secured with a first-priority Lien on the Collateral, consisting of €1,700.0 million of drawings under the Senior Term Loans and €735.0 million in aggregate principal amount of Senior Secured Notes. As of September 22, 2017, the Issuer has drawn €37 million under the Revolving Credit Facility and €250 million under the Senior Term Loans.

### ***The Senior Secured Notes Guarantees***

On the Issue Date, the Senior Secured Notes will be guaranteed by the Initial Guarantor on a senior secured basis. Subject to the Agreed Security Principles and the occurrence of the Control Date, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Facilities and (b) 120 days from the Control Date, the Senior Secured Notes will be guaranteed on a senior secured basis by the Post-Control Date Guarantors. In addition, if required by the covenant described under “*Certain Covenants—Additional Guarantees,*” certain other Restricted Subsidiaries may provide a Senior Secured Notes Guarantee (as defined below) in the future.

Once granted, the Senior Secured Notes Guarantee of each of the Guarantors will:

- be a general senior obligation of that Guarantor, secured as set forth under “*Security*”;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not subordinated in right of payment to such Senior Secured Notes Guarantee of that Guarantor (including obligations under the Senior Facilities Agreement and certain hedging obligations);
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is subordinated in right of payment to its Senior Secured Notes Guarantee, including the Senior Notes Guarantees;
- be effectively subordinated to any existing or future indebtedness or obligation of that Guarantor and its subsidiaries that is secured by property or assets that do not secure the Senior Secured Notes or the

Senior Secured Notes Guarantees, to the extent of the value of the property and assets securing such indebtedness; and

- be structurally subordinated to any existing or future indebtedness of the Subsidiaries of that Guarantor that do not guarantee the Senior Secured Notes, including their obligations to trade creditors.

The obligations of a Guarantor under its Senior Secured Notes Guarantee will be limited as necessary to prevent the relevant Senior Secured Notes Guarantee from constituting a fraudulent conveyance or unlawful financial assistance under applicable law, or otherwise to reflect limitations under applicable law. In addition, the Senior Secured Notes Guarantees will be further limited as required under the Agreed Security Principles as described below under “*Senior Secured Notes Guarantees—General.*” By virtue of these limitations, a Guarantor’s obligation under its Senior Secured Notes Guarantee could be significantly less than amounts payable with respect to the Senior Secured Notes, or a Guarantor may have effectively no obligation under its Senior Secured Notes Guarantee. See “*Risk Factors—Risks Relating to Each Series of Notes—The insolvency laws of Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.*” The validity and enforceability of the Senior Secured Notes Guarantees and the liability of each Guarantor will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*”

### **Principal, Maturity and Interest**

On the Issue Date, the Issuer will issue €735.0 million in aggregate principal amount of Senior Secured Notes. The Senior Secured Notes will mature on September 30, 2024. The Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. While the Senior Secured Notes may only be traded in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, for the purpose of the International Central Securities Depositories (“ICSDs”), the minimum denomination will be considered to be €1. For the avoidance of doubt, the ICSDs are not required to monitor or enforce the minimum amount.

The Senior Secured Notes (together with any Additional Senior Secured Notes) will be treated as a single class for all purposes under the Senior Secured Notes Indenture, including in respect of any amendment, waiver or other modification of the Senior Secured Notes Indenture or any other action by the Holders hereunder, except as otherwise provided in the Senior Secured Notes Indenture.

Interest on overdue principal and interest on the Senior Secured Notes will accrue at a rate that is 1% higher than the interest rate on the overdue principal or interest.

### ***Interest on the Senior Secured Notes***

Interest on the Senior Secured Notes will accrue at the rate of 3.50% per annum. Interest on the Senior Secured Notes will be payable semi-annually in arrears on March 30 and September 30, commencing on March 30, 2018. Interest on the Senior Secured Notes will be payable to the holder of record of such Senior Secured Notes on the Business Day immediately preceding the related interest payment date.

Interest on the Senior Secured Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders to receive the payments of interest on the Senior Secured Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Senior Secured Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

The right of holders of beneficial interests in the Senior Secured Notes to receive the payment on such Senior Secured Notes will be subject to the applicable procedures of Euroclear and Clearstream, as applicable.



### ***Methods of Receiving Payments on the Senior Secured Notes***

Principal, interest and premium and Additional Amounts, if any, on the Senior Secured Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (initially being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities (“*Definitive Registered Senior Secured Notes*”) will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in London, United Kingdom. In addition, interest on the Definitive Registered Senior Secured Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders of Senior Secured Notes for the Definitive Registered Senior Secured Notes. See “*Paying Agent and Registrar for the Senior Secured Notes*” below.

### ***Paying Agent and Registrar for the Senior Secured Notes***

The Issuer will maintain one or more Paying Agents for the Senior Secured Notes in London, United Kingdom (including the initial Paying Agent). The initial Paying Agent will be Elavon Financial Services DAC, UK Branch (the “*Paying Agent*”).

The Issuer will also maintain a registrar (the “*Registrar*”) and a transfer agent (the “*Transfer Agent*”). The initial Registrar will be Elavon Financial Services DAC and the initial Transfer Agent will be Elavon Financial Services DAC, UK Branch. The Registrar will maintain a register reflecting ownership of the Senior Secured Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Senior Secured Notes on behalf of the Issuer. A register of the Senior Secured Notes shall be left at the registered office of the Issuer. In case of inconsistency between the register of Senior Secured Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail.

Upon written notice to the Trustee, the Issuer may change any Paying Agent, Registrar or Transfer Agent for the Senior Secured Notes without prior notice to the Holders of such Senior Secured Notes. However, for so long as Senior Secured Notes are listed on the Official List of The International Stock Exchange Authority Limited (the “*Exchange*”) and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange of any change of Paying Agent, Registrar or Transfer Agent. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Secured Notes.

### **Senior Secured Notes Guarantees**

#### ***General***

Upon the initial issuance of the Senior Secured Notes on the Issue Date, the Senior Secured Notes will be guaranteed on a senior secured basis by the Initial Guarantor. Subject to the Agreed Security Principles and the occurrence of the Control Date, the Post-Control Date Guarantors will guarantee, jointly and severally, on a senior secured basis (each (including the Guarantee of the Senior Secured Notes by the Initial Guarantor), a “*Senior Secured Notes Guarantee*” and together (including the Guarantee of the Senior Secured Notes by the Initial Guarantor), the “*Senior Secured Notes Guarantees*”) the obligations of the Issuer pursuant to the Senior Secured Notes, including any payment obligation resulting from a Change of Control, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Facilities and (b) 120 days from the Control Date.

The Target and substantially all of the Subsidiaries of the Target that are organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland are expected to become Post-Control Date Guarantors.

In addition, as described under “*Certain Covenants—Additional Guarantees*” and subject to the Intercreditor Agreement and the Agreed Security Principles, certain Subsidiaries of the Issuer that guarantee the Senior Facilities in the future or any Credit Facility or Public Debt, in each case of the Issuer or a Guarantor, shall also enter into a supplemental senior secured notes indenture as a Guarantor and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Senior Facilities and the Senior Secured Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance rules, corporate benefit rules, fraudulent preference rules, “thin capitalization” rules, capital maintenance rules, retention of title claims and similar matters, or where the time and cost of granting the guarantee would be disproportionate to the benefit accruing to the Holders.

Each Senior Secured Notes Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the U.S. Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles, to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Senior Secured Notes Guarantee could be significantly less than amounts payable with respect to the Senior Secured Notes, or a Guarantor may have effectively no obligation under its Senior Secured Notes Guarantee. See *"Risk Factors—Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral"* and *"—The insolvency laws of Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability."*

A portion of the operations of the Issuer will be conducted through Subsidiaries that are not expected to become Guarantors, including Subsidiaries exempt from becoming Guarantors or having security granted over their shares or assets under the Agreed Security Principles, such as those Subsidiaries organized in Russia, Serbia and Vietnam. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders. The Senior Secured Notes and each Senior Secured Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of the Issuer's Restricted Subsidiaries (other than the Guarantors) and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any).

As of and for the twelve months ended June 30, 2017, Subsidiaries organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland accounted for 40% of the consolidated assets, 38% of the consolidated sales and 47% of the consolidated EBITDA of the Target Group. After giving *pro forma* effect to the Transactions, as of June 30, 2017, the Issuer's Subsidiaries organized in Serbia would have had €53 million in third party financial Indebtedness (excluding finance leases). Although the Senior Secured Notes Indenture will limit the Incurrence of Indebtedness and the issuance of Disqualified Stock of the Issuer and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Senior Secured Notes Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Senior Secured Notes Indenture. See *"Certain Covenants—Limitation on Indebtedness"* and *"Certain Definitions—Indebtedness."*

No assurances may be given that the Control Date will occur, and if the Control Date does not occur, the Post-Control Date Guarantors may not Guarantee the Senior Secured Notes or provide any Security Interests in respect of their property. See *"Risk Factors—Risks Relating to the Acquisition—The Senior Secured Notes Issuer does not currently control the Target Group and will not control the Target Group until the Control Date."* As of June 30, 2017, prior to giving effect to the Transactions, the Target and its Subsidiaries had €1,432 million of third-party Indebtedness outstanding.

#### ***Senior Secured Notes Guarantee Release***

The Senior Secured Notes Guarantee of a Guarantor will terminate and be released:

- upon a sale, exchange, transfer or other disposition (including by way of consolidation, merger, or amalgamation) of any Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company of such Guarantor) as a result of which such Guarantor would no longer be a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary), in each case if such sale, exchange, transfer or other disposition does not violate the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- upon the designation in accordance with the Senior Secured Notes Indenture of the Guarantor as an Unrestricted Subsidiary;

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes in accordance with the Senior Secured Notes Indenture, as provided in “*Defeasance*” and “*Satisfaction and Discharge*”;
- pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under “*Amendments and Waivers*”;
- as described in the second paragraph of the covenant described below under “*Certain Covenants—Additional Guarantees*”;
- upon payment in full of principal and interest and all other obligations on the Senior Secured Notes; or
- as a result of a transaction permitted by “*Merger and Consolidation.*”

The Trustee shall, subject to receipt of certain documentation requested pursuant to the Senior Secured Notes Indenture, take all necessary actions at the reasonable request and cost of the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Senior Secured Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders and will not require any other action or consent on the part of the Trustee.

## Security

### General

The Senior Secured Notes and the Senior Secured Notes Guarantees in respect thereof:

- on the Issue Date, will be secured on a first-priority basis by Security Interests in a pledge of the shares in the Issuer, a security assignment of any structural intercompany receivables owed by the Issuer to the Company, a pledge of the material bank accounts of the Issuer, a pledge of the shares in German Holdco, a security assignment of any structural intercompany receivables owed by German Holdco to the Issuer, a pledge of the material bank accounts of German Holdco, a pledge of the shares in the Target acquired by German Holdco and a security assignment of any structural intercompany receivables owed by the Target to the Issuer or German Holdco and a security assignment of any structural intercompany receivables owed to the Issuer by any material subsidiary (as defined in the Senior Facilities Agreement) (together, the “*Senior Secured Issue Date Collateral*”). The Senior Secured Issue Date Collateral will also secure the Senior Facilities and certain Hedging Obligations, if any, on a first-priority basis. The Senior Notes will also be secured on a second-priority basis by Security Interests in a pledge of the shares in the Issuer and a security assignment of any structural intercompany receivables owed by the Issuer to the Company.

Furthermore, the Issuer will, and will cause its Subsidiaries, in each case subject to the Agreed Security Principles and the occurrence of the Control Date:

- no later than 120 days from the Control Date and substantially simultaneously with the granting of Security Interests in favor of obligations under the Senior Facilities, grant first-priority Security Interests in pledges of the shares in and material bank accounts of each Post-Control Date Guarantor (together, the “*Senior Secured Post-Control Date Collateral*” and together with the Senior Secured Issue Date Collateral and any and all other assets from time to time in which a Security Interest has been or will be granted pursuant to any Senior Secured Security Document to secure the obligations under the Senior Secured Notes Indenture, the Senior Secured Notes and/or any Senior Secured Notes Guarantee, the “*Collateral*”).

The Senior Secured Post-Control Date Collateral will also secure the Senior Facilities and certain Hedging Obligations on a first-priority basis. The Security Interests in the Collateral will be granted to the Security Agent on behalf of and for the benefit of the Holders pursuant to the Senior Secured Security Documents.

Subject to certain conditions, including compliance with the covenants described under “*Certain Covenants—Impairment of Security Interest*” and “*Certain Covenants—Limitation on Liens*,” the Issuer and the Restricted Subsidiaries will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including, subject to certain requirements described herein, Additional Senior Secured Notes, as permitted under the Senior Secured

Notes Indenture and the Intercreditor Agreement. In addition, the Revolving Credit Facility may be re-designated as a “super senior” obligation under the Intercreditor Agreement, and following such re-designation, Holders will only receive proceeds from the enforcement of the Collateral after the obligations thereunder (and certain super senior hedging obligations) have been paid in full. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Certain Definitions—Permitted Collateral Liens*.”

The Collateral will be pledged pursuant to the Senior Secured Security Documents to the Security Agent on behalf of the Holders and holders of the other secured obligations that are secured by the Collateral. Any other assets subject to Security Interests that may in the future be granted to secure obligations under the Senior Secured Notes, any Senior Secured Notes Guarantees and the Senior Secured Notes Indenture would also constitute “*Collateral*.” All Collateral will be subject to the limitations that are applicable to Senior Secured Notes Guarantees granted by the same entity, the operation of the Agreed Security Principles and any Permitted Collateral Liens.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests*.”

Notwithstanding the foregoing and the provisions of the covenant described below under “*Certain Covenants—Limitation on Liens*,” certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. The following is a non-exhaustive summary of certain terms of the Agreed Security Principles, which include, among others:

- general legal and statutory limitations, regulatory restrictions, financial assistance, corporate benefit, fraudulent preference, equitable subordination, “transfer pricing,” “thin capitalization,” “earnings stripping,” “controlled foreign corporation” and other tax restrictions, “exchange control restrictions,” “capital maintenance” rules and “liquidity impairment” rules, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and the Restricted Subsidiaries (collectively, the “*Group*”) to provide a guarantee or security or may require that the guarantee or security be limited as to amount or otherwise and, if so, the guarantee or security will be limited accordingly; *provided* that, to the extent requested by the Security Agent before signing any applicable security or accession document, the relevant member of the Group shall use reasonable endeavors (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;
- the determination that the time and cost (including adverse effects on taxes, interest deductibility, stamp duty, registration taxes, notarial costs and all applicable legal fees) related to granting the relevant guarantee and/or security (including in respect of the security, the extent of its perfection and/or registration) will not be disproportionate to the benefit accruing to the relevant secured parties of obtaining such guarantee or security;
- the exclusion from any guarantee or security of any asset subject to a legal requirement, contract, lease, license, instrument or other third party arrangement, which may prevent or condition the asset from being charged, secured or being subject to the applicable security document (including requiring a consent of any third party, supervisory board or works council (or equivalent)) and any asset which, if subject to the applicable security document, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations with respect to any member of the Group in respect of the asset or require the relevant charger to take any action materially adverse to the interests of the Group or any member thereof; *provided* that reasonable endeavors (exercised for a specified period of time) to obtain consent to charging any asset (where otherwise prohibited) shall be used by the Group if the Security Agent specifies prior to the date of the security or accession document that the asset is material and the Issuer is satisfied that such endeavors will not involve placing relationships with third parties in jeopardy;



- the agreement that members of the Group will not be required to give guarantees or enter into security documents if they are not wholly owned by another member of the Group or if it is not within the legal capacity of the relevant members of the Group or if it would conflict with the fiduciary or statutory duties of their directors or contravene any applicable legal, regulatory or contractual prohibition or restriction or have the potential to result in a material risk of personal or criminal liability for any director or officer of or for any member of the Group, *provided* that, to the extent requested by the Security Agent before signing any applicable security document or accession document, the relevant member of the Group shall use reasonable endeavors (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;
- the requirement that, to the extent legally effective, all security shall be given in favor of the Security Agent and not the secured creditors individually (with the Security Agent to hold one set of security documents for all the secured creditors); *provided* that it shall be permissible to use “*parallel debt*” provisions where necessary (which shall be included in the Intercreditor Agreement and not the individual security documents); and furthermore, the agreement that no member of the Group shall be required to take any action in relation to any guarantees or security as a result of any assignment or transfer of the Senior Secured Notes by a Holder;
- the limitation of guarantees and security so that the aggregate of notarial costs and all registration and like taxes and duties relating to the provision of security will not exceed an amount to be agreed between the Issuer and the Security Agent, and the agreement that where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- the agreement that security will not be required over any assets subject to security in favor of a third party or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant security document);
- the agreement it may be either impossible or impractical to create security over certain categories of assets in which event security will not be taken over such assets;
- the agreement that no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement and guarantees and that security will not be required from or over the assets of, any joint venture or similar arrangement, any minority interest or any member of the Group that is not wholly owned by another member of the Group;
- that agreement that the giving of a guarantee, the granting of security and the registration and/or the perfection of the security granted will not be required if it would have a material adverse effect on the ability of the relevant member of the Group to conduct its operations and business in the ordinary course as otherwise permitted by the Senior Secured Notes Indenture and the Intercreditor Agreement (including dealing with the secured assets and all contractual counterparties or amending, waiving or terminating (or allowing to lapse) any rights, benefits or obligations, in each case prior to an Event of Default which is continuing), and the agreement that any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to the Agreed Security Principles; and
- the agreement that other than a general security agreement and related filing, no perfection, filing or other action will be required with respect to assets of a type not owned by members of the Group or in Russia, Serbia or Vietnam (the “*Excluded Jurisdictions*”) or otherwise over the shares of a member of the Group located in an Excluded Jurisdiction.

As described above, all of the Collateral will also secure the liabilities under the Senior Facilities as well as certain Hedging Obligations and any Additional Senior Secured Notes and may also secure certain future Indebtedness. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders.

No appraisals of the Collateral have been made in connection with the offering of the Senior Secured Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See “*Risk Factors—Risks Relating to the Senior Secured Notes—The value of the Senior Secured Notes Collateral*”



*securing the Senior Secured Notes may not be sufficient to satisfy our obligations under the Senior Secured Notes and such collateral may be reduced or diluted under certain circumstances.”*

### **Priority**

The relative priority with regard to the security interests in the Collateral that are created by the Senior Secured Security Documents (the “*Security Interests*” and each, a “*Security Interest*”) as between (a) the lenders under the Senior Facilities, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent and the Holders under the Senior Secured Notes Indenture, (d) the trustee, the security agent and the holders of the Senior Notes under the Senior Notes Indenture and (e) the creditors of certain other Indebtedness (including Indebtedness that may be Incurred in the future) permitted to be secured by such Collateral, respectively, will be established by the terms of the Intercreditor Agreement, which will provide, among other things, that the obligations under the Senior Facilities, certain Hedging Obligations and the Senior Secured Notes are secured equally and ratably by first-ranking Security Interests. In addition, the Revolving Credit Facility may be re-designated as a “super senior” obligation under the Intercreditor Agreement, and following such re-designation, Holders will only receive proceeds from the enforcement of the Collateral after the obligations thereunder (and certain super senior hedging obligations) have been paid in full. The obligations under the Senior Notes Guarantees shall rank in right of priority and payment after liabilities owed, among others, under the Senior Facilities, certain Hedging Obligations secured by the Collateral and the Senior Secured Notes, and obligations under the Senior Notes Guarantees will be postponed and subordinated to, among others, obligations under the Senior Facilities, certain Hedging Obligations and the Senior Secured Notes and the Senior Secured Notes Guarantees. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Certain Definitions—Permitted Collateral Liens*.”

### **Senior Secured Security Documents**

Under the Senior Secured Security Documents, the Issuer, the Company and the Guarantors will grant security over the Collateral to secure the payment when due of the Issuer’s and the Guarantors’ payment obligations under the Senior Secured Notes, the Senior Secured Notes Guarantees and the Senior Secured Notes Indenture. The Senior Secured Security Documents will be entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into such Senior Secured Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of Senior Secured Notes from time to time). Under the Intercreditor Agreement, the Security Agent also acts as an agent of the lenders under the Senior Notes, the Senior Facilities and the counterparties under certain Hedging Obligations in relation to the Security Interests created in favor of such parties.

In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of Security Interests, the relevant Senior Secured Security Documents will secure “*parallel debt*” obligations created under the Intercreditor Agreement in favor of the Security Agent (and not the obligations under the Senior Secured Notes and the Senior Secured Notes Guarantees). The parallel debt construct has not been fully tested under law in certain of these jurisdictions. See “*Risk Factors—Risks Relating to Each Series of Notes—The security interests in the Senior Secured Notes Collateral and the Senior Notes Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Senior Secured Notes Collateral and the Senior Notes Collateral may be restricted by local law.*”

The Senior Secured Notes Indenture will provide and the Intercreditor Agreement does provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Senior Secured Security Documents on behalf of the Trustee and the Holders. As a consequence of such contractual provisions, Holders will not be entitled to take enforcement action in respect of the Collateral, except through the Trustee under the Senior Secured Notes Indenture, who will (subject to the provisions of the Senior Secured Notes Indenture) provide instructions to the Security Agent for the Collateral (as applicable).

The Senior Secured Notes Indenture will provide that, subject to the terms thereof and of the Senior Secured Security Documents and the Intercreditor Agreement, the Senior Secured Notes and the Senior Secured Notes Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Senior Secured Notes and the Senior Secured Notes Indenture have been discharged. However, the Security Interests with respect to the Senior Secured Notes and the Senior

Secured Notes Indenture may be released under certain circumstances as provided under “*Security—Release of Liens.*”

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Senior Secured Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Senior Secured Security Documents. See “*Risk Factors—Risks Relating to Each Series of Notes—The granting of the Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.*”

#### ***Enforcement of Security Interest***

The Senior Secured Notes Indenture will and the Intercreditor Agreement does restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Senior Secured Security Documents in certain circumstances upon enforcement by the Security Agent in accordance with the terms of the Intercreditor Agreement. These limitations are described under “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*” The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Senior Secured Notes Indenture and the Intercreditor Agreement.

The creditors under the Senior Facilities, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Senior Secured Note, each Holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the Senior Secured Security Documents securing such Indebtedness.

#### ***Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound***

The Senior Secured Notes Indenture will provide that each Holder, by accepting such Senior Secured Note, will be deemed (without any further consent of the Holders) to have:

- (1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Senior Secured Security Documents and perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the Senior Secured Security Documents securing such Indebtedness, together with any other incidental rights, power and discretions;
- (2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Senior Secured Security Documents; and
- (3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Senior Secured Security Documents (including the execution of, and compliance with, any waiver, modification, amendment, renewal or replacement expressed to be executed by the Trustee or the Security Agent on its behalf).

See the section entitled “*Risk Factors—Risks Relating to Each Series of Notes—The security interests in the Senior Secured Notes Collateral and the Senior Notes Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Senior Secured Notes Collateral and the Senior Notes Collateral may be restricted by local law.*”

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under “*Certain Covenants—Additional Intercreditor Agreements.*”

### ***Release of Liens***

Release of the Security Interests in respect of the Collateral will be permitted under any one or more of the following circumstances:

- (1) in connection with any sale or other disposition of Collateral to (a) a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to “*Merger and Consolidation*”), if such sale or other disposition does not violate the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” and is otherwise not prohibited by the Senior Secured Notes Indenture or (b) any Restricted Subsidiary; *provided* that this clause 1(b) shall not be relied upon in the case of a transfer of Capital Stock or of accounts receivable (including intercompany loan receivables and hedging receivables) to a Restricted Subsidiary (except to a Securitization Subsidiary) unless the relevant property and assets remain subject to, or otherwise become subject to, a Lien in favor of the Senior Secured Notes following such sale or disposal;
- (2) in the case of a Guarantor that is released from its Senior Secured Notes Guarantee pursuant to the terms of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) as described under “*Amendments and Waivers*”;
- (4) upon payment in full of principal, interest and all other obligations on the Senior Secured Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes, as provided in “*Defeasance*” and “*Satisfaction and Discharge*”;
- (5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary; or
- (6) as otherwise permitted in accordance with the Senior Secured Notes Indenture.

In addition, the Security Interests created by the Senior Secured Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under “*Certain Covenants—Impairment of Security Interest*.”

The Security Agent and the Trustee (but only if required) will take all necessary action reasonably requested by, and at the cost of, the Issuer to effectuate any release of Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees, in accordance with the provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Senior Secured Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release). The Security Agent and the Trustee shall be entitled to request and rely solely upon an Officer’s Certificate and Opinion of Counsel, each certifying which circumstance, as described above, giving rise to a release of the Security Interests has occurred, and that such release complies with the Senior Secured Notes Indenture.

### **Transfer and Exchange**

The Senior Secured Notes will be issued in the form of several registered notes in global form without interest coupons attached, as follows:

- each series of Senior Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “*144A Global Senior Secured Notes*”). The 144A Global Senior Secured Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream; and
- each series of Senior Secured Notes sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “*Regulation S Global Senior Secured Notes*” and, together with the 144A Global Senior Secured Notes, the “*Global Senior Secured Notes*”). The Regulation S Global Senior Secured Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Senior Secured Notes (“*Book-Entry Interests*”) will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Notice to Investors*.” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Senior Secured Notes (the “*144A Book-Entry Interests*”) may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Senior Secured Notes (the “*Regulation S Book-Entry Interests*”) denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

During the 40-day distribution compliance period (as such term is defined in Rule 902 of Regulation S), Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a “*qualified institutional buyer*” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Senior Secured Note from which it was transferred and will become a Book-Entry Interest in the Global Senior Secured Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Senior Secured Note to which it was transferred.

If Definitive Registered Senior Secured Notes are issued, they will be issued only in minimum denominations of €100,000, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Secured Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Senior Secured Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Secured Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Notice to Investors*.”

Subject to the restrictions on transfer referred to above, Senior Secured Notes issued as Definitive Registered Senior Secured Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Senior Secured Notes Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

The Issuer, the Trustee, the Security Agent, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Senior Secured Note as the owner thereof for all purposes.

#### **Restricted Subsidiaries and Unrestricted Subsidiaries**

On the Issue Date, all of the Issuer’s Subsidiaries will be Restricted Subsidiaries. However, in the circumstances described below under “*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*,” the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries.



Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Secured Notes Indenture.

### **Proceeds Loan**

On August 21, 2017, the Company, as lender, and the Issuer, as borrower, entered into a loan agreement pursuant to which the Company loaned to the Issuer the gross proceeds from the drawing of the Senior Unsecured Bridge Facility (the “*Bridge Proceeds Loan*”). The Bridge Proceeds Loan will be refinanced with a new proceeds loan (the “*Proceeds Loan*”) under a loan agreement to be dated on or about the Issue Date (the “*Proceeds Loan Agreement*”), pursuant to which the Company, as lender, will loan the proceeds of the Senior Notes to the Issuer, as borrower.

The Proceeds Loans will be denominated in euros in a principal amount equal to the net proceeds of the Senior Notes. The Proceeds Loan will require the Issuer to make all payments thereunder on a timely basis in order to ensure that the Company can satisfy its payment obligations under the Senior Notes, including as to interest, principal, additional amounts, if any, and other required payments due under the Senior Notes. All amounts payable under the Proceeds Loan Agreement will be payable to such account or accounts with such person or persons as the Company may designate. The maturity date of the Proceeds Loan will be the same maturity date as the maturity date of the Senior Notes. The Proceeds Loan will be an unsecured obligation of the Issuer, and will be contractually subordinated to the obligations of the Issuer under the Senior Secured Notes and the Senior Facilities pursuant to the terms of the Intercreditor Agreement. The receivables under the Proceeds Loan will be assigned by way of security, on a first-ranking basis, to the Security Agent for the benefit of Holders and the Senior Facilities and certain Hedging Obligations, and, on a second-ranking basis, to the Security Agent for the benefit of holders of the Senior Notes.

### **Optional Redemption**

Except as set forth below, and except as described under “*Redemption for Taxation Reasons*,” the Senior Secured Notes are not redeemable at the option of the Issuer.

At any time prior to September 30, 2020, the Issuer may redeem the Senior Secured Notes, in whole or in part, at its option, upon notice as described under “*Selection and Notice*,” at a redemption price equal to 100% of the principal amount of such Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date.

At any time and from time to time prior to September 30, 2020, the Issuer may, at its option, during each calendar year redeem up to 10% of the original principal amount of the Senior Secured Notes (including the original principal amount of any Additional Senior Secured Notes), upon giving notice as described under “*Selection and Notice*,” at a redemption price equal to 103.000% of the principal amount of the Senior Secured Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the redemption date.

At any time and from time to time prior to September 30, 2020, the Issuer may, at its option, redeem Senior Secured Notes, upon notice as described under “*Selection and Notice*,” with the Net Cash Proceeds received by the Issuer from any Equity Offering at a redemption price equal to 103.500% of the principal amount of the Senior Secured Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the redemption date in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Senior Secured Notes (including any Additional Senior Secured Notes); *provided that*:

- (1) in each case the redemption takes place not later than 180 days after the closing of the related Equity Offering; and
- (2) not less than 50% of the original aggregate principal amount of the Senior Secured Notes (including Additional Senior Secured Notes) issued under the Senior Secured Notes Indenture remains outstanding immediately thereafter (excluding Senior Secured Notes held by the Issuer or any of the Restricted Subsidiaries).

At any time and from time to time on or after September 30, 2020, the Issuer may redeem the Senior Secured Notes, in whole or in part, upon notice as described under “*Selection and Notice*,” at a redemption price equal to the percentage of principal amount of the Senior Secured Notes so redeemed set forth below plus accrued and unpaid interest, if any, on the Senior Secured Notes redeemed, to, but excluding,



the applicable redemption date and Additional Amounts, if any, if redeemed during the twelve-month period beginning on September 30, of the year indicated below:

<u>Year</u>	<u>Redemption Price</u>
2020.....	101.750%
2021.....	100.875%
2022, and thereafter .....	100.000%

#### ***Other Redemption Terms***

Notwithstanding the foregoing, in connection with any tender offer for the Senior Secured Notes, including a Change of Control Offer (as defined below) or Asset Disposition Offer (as defined below), if Holders of Senior Secured Notes of not less than 90% in aggregate principal amount of the applicable outstanding Senior Secured Notes validly tender and do not withdraw such Senior Secured Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Senior Secured Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Senior Secured Notes that remain outstanding in whole, but not in part following such purchase at a price equal to the price offered to each other Holder (excluding any early tender or incentive fee) in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, such redemption date.

Subject to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, we may repurchase the Senior Secured Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "*Selection and Notice*" below.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Secured Notes or portions thereof called for redemption on the applicable redemption date.

#### **Mandatory Redemption or Sinking Fund**

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Secured Notes. However, under certain circumstances, the Issuer may be required to offer to purchase Senior Secured Notes as described under "*Change of Control*" and "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*"

#### **Selection and Notice**

If less than all of any series of the Senior Secured Notes are to be redeemed at any time, the Paying Agent or Registrar will select the Senior Secured Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Senior Secured Notes are listed, as certified to the Paying Agent or Registrar by the Issuer, and in compliance with the requirements of Euroclear and Clearstream, or if the Senior Secured Notes are not so listed or such exchange prescribes no method of selection and the Senior Secured Notes are not held through Euroclear and Clearstream or Euroclear and Clearstream prescribe no method of selection, on a *pro rata* basis, subject to adjustments so that no Senior Secured Note in an unauthorized denomination remains outstanding after such redemption; *provided, however*, that no Senior Secured Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Senior Secured Notes in integral multiples of €1,000 shall be redeemed. The Trustee, the Paying Agent and the Registrar shall not be liable for selections made under this paragraph.

Notices of redemption will be delivered electronically or mailed by first-class mail at least 10 days but not more than 60 days before the redemption date to each Holder of Senior Secured Notes to be redeemed at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, except that redemption notices may be delivered electronically or mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Secured Notes or a satisfaction and discharge of the Senior Secured Notes Indenture.

Notice of any redemption of the Senior Secured Notes may, at the Issuer's discretion, be given prior to the completion of a transaction (including, but not limited to, an Equity Offering, an Incurrence of Indebtedness, a Change of Control or other transaction) and any redemption notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related transaction. If such redemption or purchase is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the redemption date may be delayed until such time (but not more than 60 days after the date the notice of redemption was sent) as any or all such conditions shall be satisfied, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date as so delayed. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

If and for so long as any Senior Secured Notes are listed on the Exchange and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any such notice to the Holders of the relevant Senior Secured Notes and, in connection with any redemption, the Issuer will notify the Exchange of any change in the principal amount of Senior Secured Notes outstanding.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Senior Secured Note will be issued in the name of the Holder thereof upon cancellation of the original Senior Secured Note. In the case of a Global Senior Secured Note, an appropriate notation will be made on such Senior Secured Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, unless the Issuer defaults in the payment of the redemption price, interest ceases to accrue on Senior Secured Notes or portions of them called for redemption.

#### **Redemption for Taxation Reasons**

The Issuer may redeem the Senior Secured Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, as defined below under "*Withholding Taxes*," if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or
- (2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Senior Secured Notes would be, required to pay Additional Amounts with respect to the Senior Secured Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Secured Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Secured Notes Indenture, with respect to a Change in Tax Law occurring after the time such successor Person becomes a party to the Senior Secured Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under “*Selection and Notice*.” Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer’s Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have been satisfied and that the obligation to pay Additional Amounts cannot be avoided by the relevant Payor taking reasonable measures available to it and (b) a written opinion of an independent tax counsel of recognized standing qualified under the laws of the relevant taxing jurisdiction and satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely conclusively on such Officer’s Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

### **Withholding Taxes**

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a “Payor”) in respect of the Senior Secured Notes or with respect to any Senior Secured Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law or by the relevant taxing authority’s interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Senior Secured Note or Senior Secured Notes Guarantee is made or any political subdivision or governmental authority thereof or therein having the power to tax (including the jurisdiction of the Paying Agent); or
- (2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a “*Relevant Taxing Jurisdiction*”),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Senior Secured Note or any Senior Secured Notes Guarantee, including (without limitation) payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such withholding or deduction from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Senior Secured Note or Senior Secured Notes Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes, to the extent such Taxes would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in or place of management present in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Senior Secured Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Secured Note, the Senior Secured Notes Indenture or a Senior Secured Notes Guarantee;
- (2) any Taxes, to the extent such Taxes are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Secured Note to comply with a reasonable written request of the Payor addressed to the Holder or beneficial owner, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a law, statute, treaty, regulation or administrative practice of the

Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax, but, in each case, only to the extent the Holder or beneficial owner is legally entitled to do so;

- (3) any Taxes, to the extent such Taxes are imposed as a result of the presentation of the Senior Secured Note for payment (where Senior Secured Notes are in the form of Definitive Registered Senior Secured Notes and presentation is required) more than 30 days after the later of the applicable payment date or the date the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Secured Note been presented on the last day of such 30 day period);
- (4) any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Senior Secured Notes or with respect to any Senior Secured Notes Guarantee;
- (5) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;
- (6) any Taxes imposed, deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code, in each case, as of the Issue Date (and any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof or similar law or regulation implementing an intergovernmental agreement relating thereto; or
- (7) any combination of the items (1) through (6) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any Person other than the beneficial owner of the Senior Secured Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Senior Secured Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee (with a copy to the Paying Agent). Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts with respect to any payment made on any Senior Secured Note or any Senior Secured Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior Secured Notes Indenture, the Senior Secured Notes or this "*Description of the Senior Secured Notes*" there is mentioned, in any context:

- (1) the payment of principal;
- (2) redemption prices or purchase prices in connection with a redemption or purchase of the Senior Secured Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Senior Secured Notes or any Senior Secured Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and reimburse each applicable Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies



(including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, issuance, delivery, registration, enforcement of, or receipt of payments with respect to any Senior Secured Notes, any Senior Secured Notes Guarantee, the Senior Secured Notes Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior Secured Notes after this offering).

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture, any transfer by a Holder or beneficial owner, and will apply mutatis mutandis to any jurisdiction in which any successor to a Payor is incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior Secured Notes (or any Senior Secured Notes Guarantee) is made by or on behalf of such Person, or any political subdivision or taxing authority or agency thereof or therein.

### **Change of Control**

The Senior Secured Notes Indenture will provide that if a Change of Control Triggering Event occurs, unless (i) a third party makes a change of control offer as described herein or (ii) the Issuer has previously or substantially concurrently therewith delivered a redemption notice with respect to all the outstanding Senior Secured Notes as described under “*Optional Redemption*,” the Issuer will make an offer to purchase all of the Senior Secured Notes (equal to €100,000 in principal amount or in integral multiples of €1,000 in excess thereof; *provided* that Senior Secured Notes of €100,000 or less in principal amount may only be redeemed in whole and not in part) pursuant to the offer described below (the “*Change of Control Offer*”) at a price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the date of repurchase. Within 60 days following any Change of Control Triggering Event, the Issuer will deliver or cause to be delivered a notice of such Change of Control Offer electronically in accordance with the applicable procedures of Euroclear and Clearstream or by first-class mail, with a copy to the Trustee, to each Holder of Senior Secured Notes at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Senior Secured Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Senior Secured Notes Indenture and described in such notice, except in the case of a conditional Change of Control Offer made in advance of a Change of Control Triggering Event as described below.

To the extent that the provisions of any securities laws, rules or regulations, including Rule 14e-1 under the Exchange Act, conflict with the provisions of the Senior Secured Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Senior Secured Notes Indenture by virtue thereof. The Issuer may rely on any no-action letters issued by the SEC indicating that the staff of the SEC will not recommend enforcement action in the event a tender offer satisfies certain conditions.

Except as described above with respect to a Change of Control Triggering Event, the Senior Secured Notes Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction.

The occurrence of events which would constitute a Change of Control or a Change of Control Triggering Event may constitute a default under the Senior Facilities Agreement that permits the Senior Facilities lenders to accelerate the maturity of borrowings thereunder. Future Indebtedness of the Issuer or the Restricted Subsidiaries may contain prohibitions on certain events which would constitute a Change of Control or a Change of Control Triggering Event or require such Indebtedness to be repurchased upon a Change of Control or a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Secured Notes could cause a default under such Indebtedness, even if the Change of Control or the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Issuer.

The Issuer’s ability to pay cash to the Holders of Senior Secured Notes following the occurrence of a Change of Control Triggering Event may be limited by its then-existing financial resources. Therefore, sufficient funds may not be available when necessary to make any required repurchases. The Change of Control Triggering Event purchase feature of the Senior Secured Notes may in certain circumstances make more difficult or discourage a sale or takeover of us and, thus, the removal of incumbent management. The



Change of Control Triggering Event purchase feature is a result of negotiations between the initial purchasers of the Senior Secured Notes and us.

Subject to the limitations discussed below, the Issuer could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Triggering Event under the Senior Secured Notes Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to Incur additional Indebtedness are contained in the covenants described under “*Certain Covenants—Limitation on Indebtedness*” and “*Certain Covenants—Limitation on Liens*.” Such restrictions in the Senior Secured Notes Indenture can be waived only with the consent of the Holders of a majority in principal amount of the Senior Secured Notes then outstanding. Except for the limitations contained in such covenants, however, the Senior Secured Notes Indenture will not contain any covenants or provisions that may afford Holders protection in the event of a highly leveraged transaction.

The Issuer will not be required to make a Change of Control Offer following a Change of Control Triggering Event if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption of all outstanding Senior Secured Notes has been given pursuant to the Senior Secured Notes Indenture as described under “*Optional Redemption*,” unless and until there is a default in the payment of the redemption price on the applicable redemption date or the redemption is not consummated due to the failure of a condition precedent contained in the applicable redemption notice to be satisfied. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event.

The definition of “*Change of Control*” includes a disposition of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, to certain Persons. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Issuer and its Subsidiaries, taken as a whole. As a result, it may be unclear as to whether a Change of Control Triggering Event has occurred and whether a Holder of Senior Secured Notes may require the Issuer to make an offer to repurchase the Senior Secured Notes as described above.

The provisions under the Senior Secured Notes Indenture relating to the Issuer’s obligation to make an offer to repurchase the Senior Secured Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of the Holders of a majority in principal amount of the Senior Secured Notes then outstanding.

If and for so long as the Senior Secured Notes are listed on the Exchange and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange of any Change of Control Offer.

### **Certain Covenants**

Set forth below are summaries of certain covenants that will be contained in the Senior Secured Notes Indenture. For the avoidance of doubt, the consummation of the Transactions shall not be prohibited by the covenants below.

### ***Acknowledgment of Control Limitations***

Prior to the Control Date: (a) to the extent the Issuer undertakes under the Senior Secured Notes Documents to procure compliance by members of the Target Group with any term of any Senior Secured Notes Documents (including, for the avoidance of doubt, in respect of the covenant described under the heading “—*Reports*”) or where any term of any Senior Secured Notes Document is expressed directly or indirectly to apply to a member of the Target Group, such term, undertaking or requirement will be subject to all limitations and restrictions on the influence the Issuer may exercise as an indirect shareholder of the Target (or the access it has to the relevant information in its capacity as shareholder of German Holdco, as applicable) in accordance with mandatory German corporate law but without any obligation to compensate or to offer any compensation in accordance with the German Stock Corporation Act (including, but not limited to, Sections 311 *et seq.* German Stock Corporation Act) (and, for the avoidance of doubt, no breach of any such term, undertaking or requirement, and no Default or Event of Default, shall occur if having

exercised all such influence, the relevant term, undertaking or requirement is nevertheless breached); and (b) any undertaking given directly by a member of the Target Group shall only apply in respect of such member of the Target Group and its Subsidiaries and shall be given towards the Trustee and/or the Security Agent only.

#### ***Suspension of Covenants on Achievement of Investment Grade Status***

Following the first day that:

- (a) the Senior Secured Notes have achieved Investment Grade Status; and
- (b) no Default or Event of Default has occurred and is continuing under the Senior Secured Notes Indenture,

then, beginning on that day and continuing until the Reversion Date (as defined below), the Issuer and the Restricted Subsidiaries will not be subject to the provisions of the Senior Secured Notes Indenture summarized under the following headings (collectively, the “*Suspended Covenants*”):

- “—*Limitation on Restricted Payments*”;
- “—*Limitation on Indebtedness*”;
- “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*”;
- “—*Limitation on Affiliate Transactions*”;
- “—*Limitation on Sales of Assets and Subsidiary Stock*”;
- “—*Additional Guarantees*”; and
- the provisions of clause (3) of the first paragraph of “*Merger and Consolidation—The Issuer.*”

If at any time the Senior Secured Notes cease to have such Investment Grade Status, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the “*Reversion Date*”) and will be applicable pursuant to the terms of the Senior Secured Notes Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Senior Secured Notes Indenture), unless and until the Senior Secured Notes subsequently attain Investment Grade Status (in which event the Suspended Covenants shall no longer be in effect for such time that the Senior Secured Notes maintain an Investment Grade Status); *provided, however*, that no Default, Event of Default or breach of any kind shall be deemed to exist under the Senior Secured Notes Documents with respect to the Suspended Covenants based on, and none of the Issuer or any of the Restricted Subsidiaries shall bear any liability with respect to such Suspended Covenants for, any actions taken or events occurring during the Suspension Period, or any actions taken at any time pursuant to any contractual obligation arising prior to the Reversion Date, regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during such period. The period of time between the date of suspension of the covenants and the Reversion Date is referred to as the “*Suspension Period.*”

On the Reversion Date, all Indebtedness Incurred during the Suspension Period (other than any Indebtedness Incurred under the Senior Term Loan or the Revolving Credit Facility) will be deemed to have been outstanding on the Issue Date so that it is classified as permitted under clause (4)(c) of the second paragraph of “—*Limitation on Indebtedness.*” On and after the Reversion Date, all Liens created during the Suspension Period will be considered Permitted Liens pursuant to clause (11) of such definition. Calculations made after the Reversion Date of the amount available to be made as Restricted Payments (as defined below) under “—*Limitation on Restricted Payments*” will be made as though the covenants described under “—*Limitation on Restricted Payments*” had been in effect since the Issue Date and prior to, but not during, the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will not reduce the amount available to be made as Restricted Payments under “—*Limitation on Restricted Payments.*” On the Reversion Date, the amount of Excess Proceeds (as defined below) shall be reset at zero. Any Affiliate Transaction entered into after the Reversion Date pursuant to an agreement entered into during any Suspension Period will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (6) of the second paragraph under “—*Limitation on Affiliate Transactions.*” Any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (A) through (C) of the first paragraph of “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*” that becomes effective during the Suspension Period will be deemed to have

existed on the Issue Date, so that it is classified as permitted under clause (1) of the second paragraph under “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries.*” On and after each Reversion Date, the Issuer and the Restricted Subsidiaries will be permitted to consummate the transactions contemplated by any contract entered into during the Suspension Period, so long as such contract and such consummation would have been permitted during such Suspension Period.

In addition, any future obligation to grant further Senior Secured Notes Guarantees shall be released. All such further obligation to grant Senior Secured Notes Guarantees shall be reinstated upon the Reversion Date.

There can be no assurance that the Senior Secured Notes will ever achieve or maintain Investment Grade Status.

The Trustee shall have no duty to monitor the ratings of the Senior Secured Notes, shall not be deemed to have any knowledge of the ratings of the Senior Secured Notes and shall have no duty to notify Holders if the Senior Secured Notes achieve Investment Grade Status or upon the occurrence of the Reversion Date. The Issuer shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for suspension of the applicable covenants to be effective.

#### ***Limitation on Indebtedness***

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness) and the Issuer will not issue Disqualified Stock and will not permit any of the Restricted Subsidiaries to issue Preferred Stock; *provided, however*, that the Issuer and any of the Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) and the Issuer may issue Disqualified Stock and any of the Restricted Subsidiaries may issue Preferred Stock, if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries is at least 2.00 to 1.00; *provided* that the amount of Indebtedness Incurred and the amount of Disqualified Stock or Preferred Stock issued pursuant to the foregoing shall not cause the Non-Guarantor Debt Cap to be exceeded.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (collectively, “*Permitted Debt*”):

- (1) the Incurrence by the Issuer or any of the Restricted Subsidiaries of Indebtedness under any Credit Facility (and the issuance and creation of letters of credit and bankers’ acceptances thereunder) in an aggregate principal amount at any time outstanding not to exceed the sum of:
  - (a) (i) €1,700.0 million; *plus* (ii) €400.0 million; *plus*
  - (b) an amount equal to the greater of (i) €500.0 million and (y) 100.0% of LTM EBITDA; *plus*;
  - (c) the maximum amount of Senior Secured Indebtedness such that after giving pro forma effect to such Incurrence the Consolidated Senior Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries do not exceed 5.00 to 1.00 (with any Indebtedness Incurred under clause (b) above on the date of determination of the Consolidated Senior Secured Net Leverage Ratio not being included in the calculation of Consolidated Senior Secured Net Leverage Ratio under this subclause (c) on such date of determination but not, for the avoidance of doubt, excluded from any such calculation made on any such subsequent date); *plus*
  - (d) the maximum amount of Indebtedness that is not Senior Secured Indebtedness such that after giving pro forma effect to such Incurrence (and assuming for the purpose of such calculation that the Consolidated Senior Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries is no less than an amount equal to the greater of the Consolidated Senior Secured Net Leverage Ratio as of such date of determination and 5.00:1.00) the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 5.70 to 1.00 (with any Indebtedness Incurred under clause (b) above on the date of determination of the Consolidated Total Net Leverage Ratio not being included in the calculation of Consolidated Total Net Leverage Ratio under this clause (d) on such date of determination but not, for the avoidance of doubt, excluded from any such calculation made on any such subsequent date),  
*provided* that (i) any Indebtedness Incurred and outstanding pursuant to subclauses (a), (b) or (c) above shall be deemed to be Senior Secured Indebtedness, whether or not so secured, solely

for purposes of calculating the Consolidated Senior Secured Net Leverage Ratio for subclause (c) and (ii) any Indebtedness Incurred pursuant to this clause (1) may be refinanced at any time if such refinancing does not exceed the greater of (I) the aggregate principal amount of Indebtedness permitted to be Incurred pursuant to this clause (1) on the date of such refinancing and (II) the aggregate principal amount of the Indebtedness being refinanced at such time (together with an amount necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred in connection with such refinancing) and, in the case of a refinancing of Indebtedness under the Senior Term Loan or the Revolving Credit Facility, such Indebtedness shall be treated for all purposes as Incurred pursuant to subclause (1)(a)(i) and (1)(a)(ii), respectively; *provided further* that the amount of Indebtedness Incurred and Disqualified Stock or Preferred Stock issued pursuant to clauses (1)(b), (1)(c) and (1)(d) shall not cause the Non-Guarantor Debt Cap to be exceeded;

- (2) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness or other obligations is not prohibited by the terms of the Senior Secured Notes Indenture;
- (3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary;
- (4) Indebtedness represented by (a) Indebtedness of the Target Group outstanding as of the Issue Date or Incurred under a facility committed and as in effect as of the Issue Date, in either case, in respect of factoring financings, securitizations, receivables financings or similar arrangements, (b)(i) the Senior Secured Bridge Facility and the Senior Secured Notes (other than any Additional Senior Secured Notes), including any Guarantee thereof, (ii) any Guarantees of the Senior Unsecured Bridge Facility or the Senior Notes (excluding Guarantees of any additional Senior Notes), (iii) the Proceeds Loan, and (iv) any loans pursuant to which proceeds of any Indebtedness of a Parent Entity that are lent to the Issuer, to the extent that such Indebtedness is Guaranteed by the Issuer or any Restricted Subsidiary or is otherwise considered Indebtedness of the Issuer or any Restricted Subsidiary, and such Guarantees or the Incurrence of such Indebtedness, as the case may be, as are not prohibited by the Senior Secured Notes Indenture, (c) any Indebtedness of the Target Group (other than Indebtedness Incurred pursuant to clauses (1) and (3) above) outstanding on the Issue Date and any Guarantees thereof after giving pro forma effect to the Transactions and the application of the proceeds therefrom (as described under “*Use of Proceeds*” in this Offering Memorandum), (d) Refinancing Indebtedness (including with respect to the Senior Secured Notes and any Guarantee thereof) Incurred in respect of any Indebtedness described in this clause (4) and clause (5)(b) of this paragraph or Incurred pursuant to the first paragraph of this covenant, and (e) other Indebtedness Incurred to finance Management Advances;
- (5) Indebtedness (x) of the Issuer or any Restricted Subsidiary Incurred or issued to finance an acquisition (including an acquisition of any assets) (“*Acquisition Debt*”) or (y) of Persons that are, or secured by any assets that are, acquired by the Issuer or any Restricted Subsidiary or merged into, amalgamated or consolidated with the Issuer or a Restricted Subsidiary in accordance with the terms of the Senior Secured Notes Indenture; *provided* that Indebtedness Incurred pursuant to this paragraph (5) is in an aggregate amount not to exceed (a) the greater of (i) €75.0 million and (ii) 15.0% of LTM EBITDA at the time of Incurrence, *plus* (b) unlimited additional Indebtedness to the extent that after giving effect to such acquisition, merger or consolidation and without giving effect to any Indebtedness Incurred or issued pursuant to subclause (5)(a) above on the date of determination, either: (i) the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph or clause 1(d) of the second paragraph of this covenant and, if such Indebtedness is Senior Secured Indebtedness, the Issuer would be permitted to Incur at least €1.00 of additional Senior Secured Indebtedness pursuant to clause (1)(c) of the second paragraph of this covenant, or (ii) either the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries would not be lower, or the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be higher, and, if such Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be higher, in each case, than it was immediately prior to such acquisition, merger, amalgamation or consolidation; *provided* that the amount of Acquisition Debt Incurred pursuant to clause (b) shall not cause the Non-Guarantor Debt Cap to be exceeded;



- (6) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes);
- (7) Indebtedness (a) represented by Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7)(a) and then outstanding, does not exceed the greater of (i) €125.0 million and (ii) 25.0% of LTM EBITDA at the time of Incurrence, and any Refinancing Indebtedness in respect thereof (provided that, in each case, the Indebtedness exists on the date of such purchase, lease, rental, construction, design, installation or improvement or is created within 180 days thereafter) or (b) arising out of Sale and Leaseback Transactions;
- (8) Indebtedness in respect of (a) workers' compensation claims, old-age-part-time arrangements, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, vacation pay, health, disability or other employee benefits, customer guarantees performance, indemnity, surety, judgment, appeal, advance payment (including progress premiums), customs, value added or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or consistent with past practice; (b) the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence; (c) customer deposits and advance payments (including progress premiums) received in the ordinary course of business or consistent with past practice from customers for goods or services purchased in the ordinary course of business or consistent with past practice; (d) letters of credit, bankers' acceptances, warehouse receipts, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or consistent with past practice; (e) the financing of insurance premiums, take-or-pay obligations contained in supply arrangements, any customary treasury, depository, cash management, automatic clearinghouse arrangements, overdraft protections, credit or debit card, purchase card, electronic funds transfer, cash pooling or netting or setting off arrangements or similar arrangements in the ordinary course of business or consistent with past practice; (f) Indebtedness representing (i) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Entity, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice or (ii) deferred compensation or other similar arrangements in connection with any Investment or acquisition permitted hereby; and (g) Settlement Indebtedness;
- (9) Indebtedness arising from agreements providing for guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness in connection with a disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;
- (10) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (10) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock or otherwise contributed to the equity (in each case, other than through the issuance of Disqualified Stock, Designated Preferred Stock, any Shareholder Contribution or an Excluded Contribution or Excluded Amounts (as defined below)) of the Issuer, in each case, subsequent to the Issue Date, and



any Refinancing Indebtedness in respect thereof; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall not increase the amount available for making Restricted Payments to the extent the Issuer and the Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause to the extent such Net Cash Proceeds or cash have been applied to make Restricted Payments;

- (11) Indebtedness of Restricted Subsidiaries that are not Guarantors and Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of joint ventures in an aggregate amount not to exceed the greater of (a) €100.0 million and (b) 20.0% of LTM EBITDA at any time outstanding, and any Refinancing Indebtedness in respect thereof; *provided* that the amount of Indebtedness Incurred and Disqualified Stock or Preferred Stock issued pursuant to this clause (11) shall not cause the Non-Guarantor Debt Cap to be exceeded;
- (12) Indebtedness consisting of promissory notes issued by the Issuer or any of the Restricted Subsidiaries to any future, present or former employee, director, contractor or consultant of the Issuer, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, or heirs of such employee, director, contractor or consultant), to finance the purchase or redemption of Capital Stock of the Issuer or any Parent Entity that is permitted by the covenant described below under “—*Limitation on Restricted Payments*”;
- (13) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed the greater of (a) €150.0 million and (b) 30.0% of LTM EBITDA; *provided* that the amount of Indebtedness Incurred and Disqualified Stock or Preferred Stock issued pursuant to this clause (13) shall not cause the Non-Guarantor Debt Cap to be exceeded;
- (14) Indebtedness Incurred pursuant to factoring financings, securitizations, receivables financings or similar arrangements, in each case, that are either: (a) not recourse to the Issuer and the Restricted Subsidiaries other than a Securitization Subsidiary (except for Standard Securitization Undertakings); or (b) not in excess of the greater of (x) €100.0 million and (y) 20.0% of LTM EBITDA at any time outstanding;
- (15) any obligation, or guaranty of any obligation, of the Issuer or any Restricted Subsidiary to reimburse or indemnify a Person extending credit to customers of the Issuer or a Restricted Subsidiary Incurred in the ordinary course of business or consistent with past practice for all or any portion of the amounts payable by such customers to the Person extending such credit;
- (16) Indebtedness to a customer to finance the acquisition of any equipment necessary to perform services for such customer; *provided* that the terms of such Indebtedness are consistent with those entered into with respect to similar Indebtedness prior to the Issue Date, including that (a) the repayment of such Indebtedness is conditional upon such customer ordering a specific volume of goods and (b) such Indebtedness does not bear interest or provide for scheduled amortization or maturity;
- (17) obligations in respect of Disqualified Stock of the Issuer in an amount not to exceed €50.0 million outstanding at the time of Incurrence;
- (18) Indebtedness of the Issuer or any of the Restricted Subsidiaries arising pursuant to any Permitted Tax Restructuring;
- (19) Indebtedness consisting of local lines of credit, overdraft facilities or local working capital facilities in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (19) and then outstanding, will not exceed the greater of (a) €125.0 million and (b) 25.0% of LTM EBITDA; and
- (20) Subordinated Liabilities (as defined in the Intercreditor Agreement) in respect of amounts under intercompany loans arising pursuant to clause (b) to the proviso to clause (25) under the second paragraph of the covenant described under “—*Limitation on Restricted Payments*.”

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) subject to clause (3) below, in the event that all or any portion of any item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of

the categories of Permitted Debt or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include, in any manner that complies with this covenant, the amount and type of such Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in the first paragraph above or one of the clauses of the second paragraph of this covenant, and Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

- (2) with respect to clauses (5)(a), (11) and (13) of the second paragraph of this covenant, if at any time that the Issuer would be entitled to have Incurred any then outstanding item of Indebtedness pursuant to the first paragraph of this covenant or pursuant to clause (1)(c) or (1)(d) of the second paragraph of this covenant, such item of Indebtedness shall be automatically reclassified into an item of Indebtedness Incurred pursuant to the first paragraph of this covenant or pursuant to clause (1)(c) or (1)(d) of the second paragraph of this covenant, as applicable;
- (3) all Indebtedness under the Senior Term Loan whenever Incurred and all Existing Target Debt Financing outstanding on the Issue Date (excluding an aggregate principal amount of Existing Target Debt Financing equal to the aggregate amount of cash and Cash Equivalents in the Target Group as of June 30, 2017 (less an amount of such cash and Cash Equivalents used by the Target Group to repay any Existing Target Debt Financing on or prior to the Issue Date), which aggregate principal amount of Existing Target Debt Financing will be deemed to have been Incurred pursuant to clause (4)(c) of the second paragraph of this covenant) shall be deemed to have been Incurred pursuant to clause (a)(1)(i) of the second paragraph of this covenant, and the Issuer shall not be permitted to reclassify all or any portion of such Indebtedness Incurred;
- (4) for purposes of determining compliance with this covenant, with respect to Indebtedness Incurred under a Credit Facility, re-borrowings of amounts previously repaid pursuant to “cash sweep” or “clean down” provisions or any similar provisions under a Credit Facility that provide that Indebtedness is deemed to be repaid periodically shall only be deemed for the purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred and not on the date of any subsequent re-borrowing thereof;
- (5) in the case of any Refinancing Indebtedness, when measuring the outstanding amount of such Indebtedness, such amount shall not include any amounts necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (6) Guarantees of, or obligations in respect of letters of credit, bankers’ acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (7) if obligations in respect of letters of credit, bankers’ acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to any clause of the second paragraph above or the first paragraph above and the letters of credit, bankers’ acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (8) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (9) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (29) of the definition of “*Permitted Liens*,” the Incurrence or issuance thereof for all purposes under the Senior Secured Notes Indenture, including without limitation for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, or usage of clauses (1) through (20) of the preceding paragraph (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers’ acceptances thereunder) will, at the Issuer’s option, either (a) be determined on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof has been

borrowed as of such date) or other Indebtedness, Disqualified Stock or Preferred Stock, and, if such Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, test or other provision of the Senior Secured Notes Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant irrespective of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, or other provision of the Senior Secured Notes Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (a) shall be the "*Reserved Indebtedness Amount*" as of such date for purposes of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, and, to the extent of the usage of clauses (1) through (20) of the preceding paragraph (if any), shall be deemed to be Incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, the Issuer may revoke such determination at any time and from time to time;

- (10) in the event that the Issuer or a Restricted Subsidiary (x) Incurs Indebtedness to finance an acquisition, (y) assumes Indebtedness of Persons that are acquired by the Issuer or any Restricted Subsidiary or merged into the Issuer or a Restricted Subsidiary in accordance with the terms of the Senior Secured Notes Indenture or (z) is subject to a Change of Control, the date of determination of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, shall, at the option of the Issuer, be (a) the date that a definitive agreement for such acquisition or Change of Control is entered into and the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, shall be calculated giving pro forma effect to such acquisition, Change of Control and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) consistent with the definition of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, and, for the avoidance of doubt, (A) if any such ratios are exceeded as a result of fluctuations in such ratio (including due to fluctuations in the Consolidated EBITDA of the Issuer or the target company) at or prior to the consummation of the relevant acquisition or Change of Control, such ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether such acquisition and any related transactions are permitted hereunder and (B) such ratios shall not be tested at the time of consummation of such acquisition or related transactions; *provided* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, (i) any such transaction shall be deemed to have occurred on the date the definitive agreement is entered into and to be outstanding thereafter for purposes of calculating any ratios under the Senior Secured Notes Indenture after the date of such agreement and before the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition and (ii) to the extent any covenant baskets were utilized in satisfying any covenants, such baskets shall be deemed utilized until the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition, but any calculation of Consolidated EBITDA for purposes of other Incurrences of Indebtedness or Liens or making of Restricted Payments (not related to such acquisition) shall not reflect such acquisition until it has been consummated or (b) the date such Indebtedness is Incurred or assumed or such Change of Control occurs;
- (11) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on a clause of the second paragraph of this covenant measured by reference to a percentage of LTM EBITDA at the time of Incurrence, if such refinancing would cause the percentage of LTM EBITDA restriction to be exceeded if calculated based on the percentage of LTM EBITDA on the date of such refinancing, such percentage of LTM EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus premiums (including tender premiums), defeasance, costs and fees in connection with such refinancing; and
- (12) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares or Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this “*Limitation on Indebtedness*.”

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this “*Limitation on Indebtedness*,” the Issuer shall be in default of this covenant).

For purposes of determining compliance with any Euro-denominated restriction on the Incurrence of Indebtedness, the Euro equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term debt, or first committed or first Incurred (whichever yields the lower Euro equivalent), in the case of revolving credit debt; provided, that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed (a) the principal amount of such Indebtedness being refinanced plus (b) the aggregate amount of fees, underwriting discounts, accrued and unpaid interest, premiums (including tender premiums) and other costs and expenses (including original issue discount, upfront fees or similar fees) Incurred in connection with such refinancing.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

#### ***Limitation on Restricted Payments***

The Issuer will not, and will not permit any of the Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any distribution on or in respect of the Issuer’s or any Restricted Subsidiary’s Capital Stock (including any such payment in connection with any merger or consolidation involving the Issuer or any of the Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding;
  - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of the Issuer or any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis); and
  - (c) dividends or distributions payable to any Parent Entity to fund interest payments in respect of Indebtedness of such Parent Entity which is Guaranteed by the Issuer or any Restricted Subsidiary or is otherwise considered Indebtedness of the Issuer or any Restricted Subsidiary (*provided* that (x) any net proceeds from such Indebtedness are contributed to the equity of the Issuer or any Restricted Subsidiary in any form or otherwise received by the Issuer or any Restricted Subsidiary; (y) any net proceeds described in subclause (x) above shall be excluded for purposes of increasing the amount available for distribution pursuant to clause (c) of this paragraph and shall not be Excluded Contributions or Excluded Amounts); and (z) in the case that any net proceeds described in subclause (x) above are contributed to the Issuer or the Restricted Subsidiaries in the form of Indebtedness, there shall be no double-counting of interest paid on such Indebtedness and any dividends or distributions payable to the relevant Parent Entity to fund interest payments in respect of Indebtedness of such Parent Entity);



- (2) purchase, repurchase, redeem, retire or otherwise acquire or retire for value any Capital Stock of the Issuer or any Parent Entity held by Persons other than the Issuer or a Restricted Subsidiary;
- (3) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such purchase, repurchase, redemption, defeasance or other acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”);
- (4) make any payment (whether of principal, interest or other amounts) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or
- (5) make any Restricted Investment,

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a “*Restricted Payment*”), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

- (a) an Event of Default shall have occurred and be continuing (or would immediately thereafter result therefrom);
- (b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the “—*Limitation on Indebtedness*” covenant immediately after giving effect, on a pro forma basis, to such Restricted Payment; or
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments (as defined below) made pursuant to clauses (1) and (10) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph) would exceed the sum of (without duplication):
  - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from July 1, 2017, to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit); *plus*
  - (ii) 100% of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received by the Issuer from the issue or sale of its Subordinated Shareholder Funding or Capital Stock or as the result of a merger or consolidation with another Person subsequent to the Issue Date or otherwise contributed to the equity (in each case other than through the issuance of Disqualified Stock or Designated Preferred Stock) of the Issuer subsequent to the Issue Date (other than (u) any Shareholder Contribution, (v) Subordinated Shareholder Funding or Capital Stock sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) cash or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph, (y) Excluded Contributions and (z) Excluded Amounts); *plus*
  - (iii) 100% of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than (x) any Shareholder Contribution, (y) Subordinated Shareholder Funding or (z) Capital Stock sold to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness, Disqualified Stock or Designated Preferred Stock that has been converted into or exchanged for Capital Stock of the



Issuer (other than Disqualified Stock or Designated Preferred Stock) plus, without duplication, the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange; *plus*

- (iv) 100% of the aggregate amount received in cash and the fair market value, as determined in good faith by the Issuer, of marketable securities or other property received by the Issuer or any Restricted Subsidiary by means of: (i) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of Restricted Investments made by the Issuer or the Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Issuer or the Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments by the Issuer or the Restricted Subsidiaries, in each case after the Issue Date; or (ii) the sale (other than to the Issuer or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary or a dividend from a Person that is not a Restricted Subsidiary after the Issue Date (in each case, other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (17) of the next succeeding paragraph and will increase the amount available under the applicable clause of the definition of “Permitted Investment” or clause (17) of the next succeeding paragraph, as the case may be); *plus*
- (v) in the case of the re-designation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into the Issuer or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary after the Issue Date, the fair market value of the Investment in such Unrestricted Subsidiary (or the assets transferred), as determined in good faith by the Issuer at the time of the re-designation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, amalgamation or consolidation or transfer of assets (after taking into consideration any Indebtedness associated with the Unrestricted Subsidiary so designated or merged, amalgamated or consolidated or Indebtedness associated with the assets so transferred), other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (17) of the next succeeding paragraph and will increase the amount available under the applicable clause of the definition of “Permitted Investment” or clause (17) of the next succeeding paragraph, as the case may be; *plus*
- (vi) €60.0 million,

*provided* that notwithstanding the foregoing, any amounts (such amounts, “*Excluded Amounts*”) that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (ii) or (iii) of the preceding clause (c) will be excluded to the extent the purpose of the receipt of such cash, property or assets or marketable securities was used to reduce the Consolidated Total Net Leverage Ratio of the Issuer and as a result thereof a Change of Control Triggering Event that would otherwise have occurred without the receipt of such cash, property or assets or marketable securities did not occur.

The foregoing provisions will not prohibit any of the following (collectively, “*Permitted Payments*”):

- (1) the payment of any dividend or distribution within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of the Senior Secured Notes Indenture, or the redemption, repurchase or retirement of Indebtedness if, at the date of any redemption notice, such payment would have complied with the provisions of the Senior Secured Notes Indenture as if it were and is deemed at such time to be a Restricted Payment at the time of such notice;
- (2) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock (“*Treasury Capital Stock*”) or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Subordinated Shareholder Funding or Capital Stock of the Issuer (other than Disqualified Stock or Designated Preferred Stock) (“*Refunding Capital Stock*”) or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock, any Shareholder Contribution or through an Excluded Contribution or Excluded Amounts) of the Issuer; *provided* that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Subordinated

Shareholder Funding or Capital Stock or such contribution will be excluded from clause (c) of the preceding paragraph and (b) if immediately prior to the retirement of Treasury Capital Stock, the declaration and payment of dividends thereon was permitted under clause (13) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Capital Stock of a Parent Entity) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;

- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (5) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness (other than Subordinated Shareholder Funding) or Disqualified Stock or Preferred Stock of a Restricted Subsidiary:
  - (a) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*” below, but only if (and to the extent required) the Issuer shall have first complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock;
  - (b) to the extent required by the agreement governing such Subordinated Indebtedness, Disqualified Stock or Preferred Stock, following the occurrence of (i) a Change of Control (or other similar event described therein as a “change of control”) or (ii) an Asset Disposition (or other similar event described therein as an “asset disposition” or “asset sale”), but only if (and to the extent required) the Issuer shall have first complied with the terms described under “*Change of Control*” or “—*Limitation on Sales of Assets and Subsidiary Stock*,” as applicable, and purchased all Senior Secured Notes tendered pursuant to the offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock; or
  - (c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition);
- (6) a Restricted Payment to pay for the repurchase, retirement or other acquisition or retirement for value of Capital Stock (including any options, warrants or other rights in respect thereof) (other than Disqualified Stock) of the Issuer or any Parent Entity held by any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, trusts or heirs of such employee, director, contractor or consultant) either pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or upon the termination of such employee, director, contractor or consultant’s employment or directorship; *provided, however*, that the aggregate Restricted Payments made under this clause (6) do not exceed (x) €20.0 million in any calendar year (with unused amounts in any calendar year being carried forward to the next succeeding calendar year and amounts that will not be used in the subsequent calendar year being carried back to the immediately preceding calendar year) or (y) subsequent to the consummation of an underwritten public Equity Offering of common stock of the Issuer or any Parent Entity, €40.0 million in any calendar year (with unused amounts in any calendar year being carried forward to the next succeeding calendar year and amounts that will

not be used in the subsequent calendar year being carried back to the immediately preceding calendar year); *provided further* that such amount in any calendar year may be increased by an amount not to exceed:

(a) the cash proceeds from the issuance or sale of Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock or Designated Preferred Stock, any Shareholder Contribution or Excluded Contributions or Excluded Amounts) of the Issuer and, to the extent contributed to the capital of the Issuer (other than through the issuance of Disqualified Stock or Designated Preferred Stock, any Shareholder Contribution or an Excluded Contribution or Excluded Amounts), Subordinated Shareholder Funding or Capital Stock of any Parent Entity, in each case to members of management, directors or consultants of the Issuer, any of its Subsidiaries or any Parent Entity that occurred after the Issue Date, to the extent the cash proceeds from the sale of such Capital Stock or Subordinated Shareholder Funding have not otherwise been applied to the payment of Restricted Payments by virtue of clause (c) of the preceding paragraph; *plus*

(b) the cash proceeds of key man life insurance policies received by the Issuer and the Restricted Subsidiaries after the Issue Date,

and *provided yet further* that cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from any future, present or former members of management, directors, employees, contractors or consultants of the Issuer or Restricted Subsidiaries or any Parent Entity in connection with a repurchase of Capital Stock of the Issuer or any Parent Entity will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Senior Secured Notes Indenture;

(7) the declaration and payment of dividends on Disqualified Stock or Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*” above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise, conversion or exchange of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof or withholding or similar taxes in respect thereof and payments in respect of withholding or similar taxes payable upon exercise or vesting thereof;

(9) dividends, loans, advances or distributions to any Parent Entity or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent Entity to pay any Parent Entity Expenses or any Related Taxes;

(b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (5), (11), (12), (17)(a) (but only in respect of the parenthetical thereto) and (17)(c) of the second paragraph under “—*Limitation on Affiliate Transactions*,” provided that any such dividends, loans, advances or distributions to make payments in respect of annual management fees specified in paragraph (11)(A) of the second paragraph under “—*Limitation on Affiliate Transactions*” below and made pursuant to this clause (9)(b) shall not exceed an aggregate amount equal to the greater of (x) €10.0 million and (y) 2.0% of LTM EBITDA per calendar year (with unused amounts in any calendar year being carried forward to the next succeeding calendar year and amounts that will not be used in the subsequent calendar year being carried back to the immediately preceding calendar year); and

(c) up to €10.0 million per calendar year (with unused amounts in any calendar year being carried forward to the next succeeding calendar year and amounts that will not be used in the subsequent calendar year being carried back to the immediately preceding calendar year);

(10) the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Capital Stock, common stock or common equity interests of the Issuer, any Parent Entity or any IPO Entity following a Public Offering of such Capital Stock, common stock or common equity interests; *provided* that the aggregate amount of all such dividends or distributions shall not exceed in any fiscal year the greater of: (a) 6% of the Net Cash Proceeds received from such Public Offering or subsequent Equity Offering by the Issuer or contributed to the capital of the Issuer by any Parent Entity in any form other than Indebtedness, any

Shareholder Contribution or Excluded Contributions or Excluded Amounts; and (b) following an Initial Public Offering, an amount equal to (i) where, after giving pro forma effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Leverage Ratio shall be equal to or less than 4.75 to 1.00, the greater of (x) 7% of the Market Capitalization and (y) 7% of the IPO Market Capitalization; and (ii) where, after giving pro forma effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Leverage Ratio shall be greater than 4.75 to 1.00, but equal to or less than 5.00:1.00, the greater of (x) 5% of the Market Capitalization and (y) 5% of the IPO Market Capitalization;

- (11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Issuer);
- (12) Restricted Payments that are made with Excluded Contributions;
- (13) the declaration and payment of dividends (i) on Designated Preferred Stock of the Issuer issued after the Issue Date; (ii) to a Parent Entity in an amount sufficient to allow the Parent Entity to pay dividends to holders of its Designated Preferred Stock issued after the Issue Date; and (iii) on Refunding Capital Stock that is Preferred Stock; *provided, however*, that, in the case of clauses (i) and (ii) of this clause (13), the amount of all dividends declared or paid to a Person pursuant to such clauses shall not exceed the cash proceeds received by the Issuer or the aggregate amount contributed as Subordinated Shareholder Funding or in cash to the equity of the Issuer (other than through the issuance of Disqualified Stock, any Shareholder Contribution or an Excluded Contribution or Excluded Amounts), from the issuance or sale of such Designated Preferred Stock; provided further, in the case of clauses (i), (ii) and (iii) of this clause (13), that for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock or declaration of such dividends on such Refunding Capital Stock, after giving effect to such payment on a pro forma basis the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the test set forth in the first paragraph of the covenant described under “—*Limitation on Indebtedness*”;
- (14) distributions, by dividend or otherwise, or other transfer or disposition of shares of Capital Stock, of equity interests in, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, substantially all the assets of which are cash and Cash Equivalents) or proceeds thereof;
- (15) distributions or payments of Securitization Fees, sales contributions and other transfers of Securitization Assets or Receivables Assets and purchases of Securitization Assets or Receivables Assets pursuant to a Securitization Repurchase Obligation, in each case in connection with a Qualified Securitization Financing or Receivables Facility;
- (16) any Restricted Payment made in connection with the Transactions, including payments to Minority Shareholders under the Domination Agreement, and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto or used to fund amounts owed to Affiliates in connection with the Transactions (including dividends to any Parent Entity to permit payment by such Parent Entity of such amounts);
- (17) so long as no Event of Default has occurred and is continuing (i) Restricted Payments (including loans or advances) in an aggregate amount outstanding at the time made not to exceed the greater of (a) €150.0 million and (b) 30.0% of LTM EBITDA at such time, and (ii) any Restricted Payments, so long as, immediately after giving pro forma effect to the payment of any such Restricted Payment and the Incurrence of any Indebtedness the net proceeds of which are used to make such Restricted Payment, the Consolidated Senior Secured Net Leverage Ratio shall be no greater than 4.25 to 1.00;
- (18) mandatory redemptions of Disqualified Stock issued as a Restricted Payment or as consideration for a Permitted Investment;
- (19) the redemption, defeasance, repurchase, exchange or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor in an aggregate amount at any time outstanding taken together with all other redemptions, defeasances, repurchases, exchanges or other acquisitions or



retirements of Subordinated Indebtedness made pursuant to this clause not to exceed the greater of (a) €75.0 million and (b) 15.0% of LTM EBITDA at the time of such redemption, defeasance, repurchase, exchange or other acquisition or retirement of Subordinated Indebtedness;

- (20) payments or distributions to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenants described under “*Merger and Consolidation*”;
- (21) Restricted Payments to a Parent Entity to finance Investments that would otherwise be permitted to be made pursuant to this covenant if made by the Issuer; *provided* that (a) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (b) such Parent Entity shall, promptly following the closing thereof, cause (i) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Issuer or one of the Restricted Subsidiaries or (ii) the merger or amalgamation of the Person formed or acquired into the Issuer or one of the Restricted Subsidiaries (to the extent not prohibited by the covenant “*Merger and Consolidation*”) to consummate such Investment, (c) such Parent Entity and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Senior Secured Notes Indenture, (d) any property received by the Issuer shall not increase amounts available for Restricted Payments pursuant to clause (c) of the preceding paragraph, clauses (2) or (6) above or be deemed to be an Excluded Contribution or an Excluded Amount and (e) such Investment shall be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to another provision of this covenant (other than pursuant to clause (12) hereof) or pursuant to the definition of “Permitted Investments” (other than pursuant to clause (12) thereof);
- (22) the Guarantee by the Issuer and any Guarantor of such Indebtedness of a Parent Entity so long as such Guarantee has been incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*”;
- (23) any Restricted Payment made with Net Available Cash from any Asset Disposition and permitted pursuant to clause (3) of the first paragraph under “—*Limitation on Sales of Assets and Subsidiary Stock*”;
- (24) any dividends, repayments of equity, reductions of capital or any other distribution by any Restricted Subsidiary to any other company that is a member of the same fiscal unity (*fiscale eenheid*) for Dutch corporate income tax or value added tax purposes; and
- (25) any dividends, repayments of equity, reductions of capital, loans or any other distribution (a “*tax distribution*”) by the Issuer or any Restricted Subsidiary to any Parent Entity that is a member of the same fiscal unity (*steuerliche Organschaft*) for German corporate income tax and trade tax purposes; *provided* that (a) where payments under a German fiscal unity are required to be made by any Parent Entity to cover Taxes on a consolidated basis on behalf of the Issuer and the Restricted Subsidiaries, a tax distribution shall be made in cash to such Parent Entity in accordance with the definition of Permitted Tax Distribution; and (b) the remainder of such tax distribution in excess of the amount permitted pursuant to clause (a) above shall not be paid to such Parent Entity in cash, but instead will be converted into an intercompany loan made by such Parent Entity to the Issuer which constitutes Subordinated Liabilities (as defined in the Intercreditor Agreement).

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (25) above, and/or is permitted pursuant to the first paragraph of this covenant and/or constitutes a Permitted Investment, the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash



Restricted Payment, property or assets other than cash shall be determined conclusively by the Issuer acting in good faith.

Unrestricted Subsidiaries may use value transferred from the Issuer and the Restricted Subsidiaries in a Permitted Investment to purchase or otherwise acquire Indebtedness or Capital Stock of the Issuer, any Parent Entity or any of the Issuer's Restricted Subsidiaries, and to transfer value to the holders of the Capital Stock or any Parent Entity and to Affiliates thereof, and such purchase, acquisition, or transfer will not be deemed to be a "direct or indirect" action by the Issuer or the Restricted Subsidiaries.

#### ***Limitation on Liens***

The Issuer will not, and the Issuer will not permit any Restricted Subsidiary or the Company to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary and, in the case of the Company, limited in all respects to those of its assets constituting Collateral), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Secured Notes, the Senior Secured Notes Guarantees and the Senior Secured Notes Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Secured Notes, the Senior Secured Notes Guarantees and the Senior Secured Notes Indenture under (a)(2) in the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under the Senior Secured Notes Indenture, the Intercreditor Agreement and/or any Additional Intercreditor Agreement and/or under the relevant Senior Secured Security Document.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "*Increased Amount*" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

#### ***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Issuer will not, and will not permit any Restricted Subsidiary to create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;
- (B) make any loans or advances to the Issuer or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Facilities), (b) the Intercreditor Agreement and any Additional Intercreditor Agreement and (c) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;

- (2) any encumbrance or restriction pursuant to the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Security Documents, the Senior Secured Notes Guarantees, the Senior Notes Indenture, the Senior Notes Guarantees or the security documents in respect of the Senior Notes;
- (3) any encumbrance or restriction pursuant to applicable law, rule, regulation or order;
- (4) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary or entered into in contemplation of or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause, if another Person is the Successor Issuer (as defined below), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer;
- (5) any encumbrance, restriction or condition:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract or agreement, or the assignment or transfer of any lease, license or other contract or agreement;
  - (b) contained in mortgages, pledges, charges or other security agreements permitted under the Senior Secured Notes Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Senior Secured Notes Indenture to the extent such encumbrances or restrictions restrict the transfer or encumbrance of the property or assets subject to such mortgages, pledges, charges or other security agreements;
  - (c) contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Issuer or any of the Restricted Subsidiaries is a party entered into in the ordinary course of business or consistent with past practice; *provided* that such agreement prohibits the encumbrance of solely the property or assets of the Issuer or such Restricted Subsidiary that are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Issuer or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary; or
  - (d) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;
- (6) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Secured Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired;
- (7) any encumbrance or restriction imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of the Issuer or any Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (8) customary provisions in leases, licenses, shareholder agreements, joint venture agreements and other similar agreements, organizational documents and instruments;
- (9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, licensing requirement or order, or required by any regulatory authority;
- (10) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business or consistent with past practice;
- (11) any encumbrance or restriction pursuant to Hedging Obligations;

- (12) restrictions created in connection with any Qualified Securitization Financing or Receivables Facility that, in the good faith determination of the Issuer, are necessary or advisable to effect such Securitization Facility or Receivables Facility;
- (13) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders (taken as a whole) than (i) the encumbrances and restrictions contained in (A) the Senior Facilities or the Senior Secured Notes Indenture, together with the Senior Secured Security Documents associated therewith, and (B) the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Issuer) and where, in the case of this sub-clause (ii), either (x) the Issuer determines at the time of entry into such agreement or instrument that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Senior Secured Notes or (y) such encumbrance or restriction applies only during the continuance of a default relating to such agreement or instrument, or (b) constituting an Additional Intercreditor Agreement;
- (14) any encumbrance or restriction existing by reason of any lien permitted under “—*Limitation on Liens*”; or
- (15) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (1) to (14) of this paragraph or this clause (an “*Initial Agreement*”) or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) to (14) of this paragraph or this clause (15); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders (taken as a whole) than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer).

#### ***Limitation on Sales of Assets and Subsidiary Stock***

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);
- (2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), with a purchase price in excess of the greater of (a) €50.0 million and (b) 10.0% of LTM EBITDA, at least 75% of the consideration from such Asset Disposition (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents; and
- (3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied:
  - (a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness) to prepay, repay or purchase any Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case, other than Indebtedness owed to the Issuer or any Restricted Subsidiary) or any Senior Secured Indebtedness, including Indebtedness under any Credit Facility (including the Senior Facilities) (or any Refinancing Indebtedness in respect thereof) within 360 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be reduced in an amount equal to the principal amount so prepaid, repaid or purchased; *provided further* that to the extent the Issuer or any Restricted Subsidiary has elected to prepay, repay or

purchase any amount of Senior Secured Indebtedness at a price not less than par and has extended such offer to the Holders on at least a *pro rata* basis, to the extent the creditors in respect of such Senior Secured Indebtedness (including any Holders) elect not to tender their Senior Secured Indebtedness for such prepayment, repayment or purchase, the Issuer will be deemed to have applied an amount of Net Available Cash equal to such amount not tendered under this paragraph (A), and such amount shall not increase the amount of Excess Proceeds; or

- (b) to the extent the Issuer or any Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary equal to the amount of Net Available Cash received by the Issuer or another Restricted Subsidiary) within 360 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that a binding agreement shall be treated as a permitted application of Net Available Cash from the date of such commitment with the good faith expectation that an amount equal to Net Available Cash will be applied to satisfy such commitment within 180 days of such commitment (an “*Acceptable Commitment*”) and, in the event any Acceptable Commitment is later cancelled or terminated for any reason before such amount is applied, then such Net Available Cash shall constitute Excess Proceeds,

*provided further* that, pending the final application of the amount of any such Net Available Cash in accordance with clause (a) or (b) above, the Issuer and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise use such Net Available Cash in any manner not prohibited by the Senior Secured Notes Indenture.

Notwithstanding the foregoing, to the extent that (x) a distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or another Restricted Subsidiary (to the extent necessary to comply with this covenant) is prohibited or delayed by applicable local law (including financial assistance and corporate benefit restrictions and fiduciary and statutory duties of the relevant directors) or (y) a distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or another Restricted Subsidiary (to the extent necessary to comply with this covenant) could result in material adverse Tax consequences, as determined by the Issuer in its sole discretion, the portion of such Net Available Cash so affected will not be required to be applied in compliance with this covenant.

The amount of any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the first paragraph of this covenant will be deemed to constitute “*Excess Proceeds*” under the Senior Secured Notes Indenture. On the 361st day (or such longer period permitted by clause (b) of the first paragraph of this covenant) after the later of an Asset Disposition or the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds under the Senior Secured Notes Indenture exceeds €50.0 million in a single transaction, the Issuer will within 10 Business Days be required to make an offer (“*Asset Disposition Offer*”) to all Holders of Senior Secured Notes issued under the Senior Secured Notes Indenture and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to repay, prepay or purchase the maximum aggregate principal amount of Senior Secured Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be repaid, prepaid or purchased out of the Excess Proceeds, at an offer price in respect of the Senior Secured Notes in an amount equal to 100% of the principal amount of the Senior Secured Notes (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of repayment, prepayment or purchase, in accordance with the procedures set forth in the Senior Secured Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and with respect to the Senior Secured Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver notice of such Asset Disposition Offer electronically or by first-class mail, with a copy to the Trustee, the Paying Agent and each Holder at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, describing the transaction or transactions that constitute the Asset Disposition and offering to repurchase the Senior Secured Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Senior Secured Notes Indenture and described in such notice. The Issuer may satisfy the foregoing obligations with respect to any Net Available Cash from an Asset Disposition by making an Asset Disposition Offer with respect to all Net Available Cash prior to the expiration of the relevant 360 days (or such longer period provided above) or with respect to any unapplied Excess Proceeds.



To the extent that the aggregate amount of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for any purpose not prohibited by the Senior Secured Notes Indenture. If the aggregate principal amount of the Senior Secured Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Issuer shall allocate the Excess Proceeds among the Senior Secured Notes and Pari Passu Indebtedness to be repaid, prepaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Secured Notes and Pari Passu Indebtedness provided that the Issuer shall not be required to select and purchase Senior Secured Notes or other Pari Passu Indebtedness in an unauthorized denomination. Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior Secured Notes is denominated in a currency other than Euros, the amount thereof payable in respect of the Senior Secured Notes shall not exceed the net amount of funds in Euros that is actually received by the Issuer upon converting such portion into Euros.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness or other liabilities, contingent or otherwise, of the Issuer or a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness or other liability in connection with such Asset Disposition;
- (2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;
- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Issuer (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of (a) €100.0 million and (b) 20.0% of LTM EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

To the extent that the provisions of any securities laws or regulations, including Rule 14e-1 under the Exchange Act, conflict with the provisions of the Senior Secured Notes Indenture, the Issuer will comply with the applicable securities laws, rules and regulations and shall not be deemed to have breached its obligations described in the Senior Secured Notes Indenture by virtue thereof.

Notwithstanding any other provision in the Senior Secured Notes Indenture to the contrary, the provisions of the Senior Secured Notes Indenture relative to the Issuer's obligation to make an offer to repurchase the Senior Secured Notes as a result of an Asset Disposition may be waived or modified with the written consent of the Holders of a majority in principal amount of the Senior Secured Notes then outstanding.

The Senior Facilities may prohibit or limit, and future credit agreements or other agreements to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any Senior Secured Notes pursuant to this covenant. In the event the Issuer is prohibited from purchasing the Senior Secured Notes, the Issuer could seek the consent of its lenders to the purchase of the Senior Secured Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, it will remain prohibited from purchasing the Senior Secured Notes. In such case, the Issuer's failure to purchase tendered Senior Secured Notes would constitute a Default under the Senior Secured Notes Indenture.



### ***Limitation on Affiliate Transactions***

The Issuer will not, and will not permit any Restricted Subsidiary to enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an “*Affiliate Transaction*”) involving aggregate value in excess of the greater of (i) €37.5 million and (ii) 7.5% of LTM EBITDA unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of (a) €75.0 million and (b) 15.0% of LTM EBITDA, the terms of such Affiliate Transaction have been approved by a majority of the members of the Board of Directors of the Issuer.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) above if such Affiliate Transaction is approved by a majority of the Disinterested Directors of the Issuer, if any.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Limitation on Restricted Payments*,” or any Permitted Investment;
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business or consistent with past practice;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any (a) transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries and (b) merger, amalgamation or consolidation with any Parent Entity, *provided* that such Parent Entity shall have no material liabilities and no material assets other than cash, Cash Equivalents and the Capital Stock of the Issuer and such merger, amalgamation or consolidation is otherwise permitted under the Senior Secured Notes Indenture;
- (5) the payment of compensation, fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, contractors, consultants, distributors or employees of the Issuer, any Parent Entity or any Restricted Subsidiary (whether directly or indirectly and including through any Controlled Investment Affiliate of such directors, officers, contractors, consultants, distributors or employees);
- (6) the entry into and performance of obligations of the Issuer or any of the Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders (taken as a whole) in any material respect;
- (7) any transaction with a Securitization Subsidiary effected as part of a Qualified Securitization Financing or Receivables Facility, any disposition or repurchase of Securitization Assets, Receivables Assets or related assets in connection with any Qualified Securitization Financing or Receivables Facility;

- (8) transactions with customers, clients, joint venture partners, suppliers, contractors, distributors or purchasers or sellers of goods or services, in each case in the ordinary course of business or consistent with past practice, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity which would constitute an Affiliate Transaction solely (i) because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity or (ii) due to the fact that a director of such Person is also a director of the Issuer or any direct or indirect Parent Entity of the Issuer (*provided, however*, that such director abstains from voting as a director of the Issuer or such direct or indirect Parent Entity of the Issuer, as the case may be, on any matter involving such other Person);
- (10) any (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and the granting of registration and other customary rights (and the performance of the related obligations) in connection therewith or any contribution to capital of the Issuer or any Restricted Subsidiary and (b) amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable; *provided* that such Subordinated Shareholder Funding, as amended or otherwise modified, will continue to satisfy the requirements described in the definition of “*Subordinated Shareholder Funding*”;
- (11) (a) any payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly), including to its affiliates or its designees, of annual management, consulting, monitoring, refinancing, transaction, subsequent transaction exit fees, advisory fees and related costs and reasonable expenses and indemnitees in connection therewith and any termination fees (including any such cash lump sum or present value fee upon the consummation of a corporate event, including an Initial Public Offering) and (b) any customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which are in the case of each of clauses (a) and (b) approved by a majority of the Board of Directors of the Issuer in good faith;
- (12) payment to any Permitted Holder of all out of pocket expenses incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;
- (13) the Transactions and the payment of all costs and expenses (including all legal, accounting and other professional fees and expenses) related to the Transactions;
- (14) transactions in which the Issuer or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (1) of the preceding paragraph;
- (15) the existence of, or the performance by the Issuer or any Restricted Subsidiary of its obligations under the terms of, any equityholders agreement (including any registration rights agreement or purchase agreements related thereto) to which it is party as of the Issue Date, and any similar agreement that it may enter into thereafter; *provided, however*, that the existence of, or the performance by the Issuer or any Restricted Subsidiary of its obligations under any future amendment to the equityholders’ agreement or under any similar agreement entered into after the Issue Date will only be permitted under this clause to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous to the Holders (taken as a whole) in any material respect as determined in good faith by the Issuer;
- (16) any purchases by the Issuer’s Affiliates of Indebtedness or Disqualified Stock of the Issuer or any of the Restricted Subsidiaries the majority of which Indebtedness or Disqualified Stock is purchased by

Persons who are not the Issuer's Affiliates; *provided* that such purchases by the Issuer's Affiliates are on the same terms as such purchases by such Persons who are not the Issuer's Affiliates;

- (17) any (a) Investments by Affiliates in securities of the Issuer or any of the Restricted Subsidiaries (and payment of reasonable out-of-pocket expenses Incurred by such Affiliates in connection therewith) so long as the Investment is being offered by the Issuer or such Restricted Subsidiary generally to other non-affiliated third party investors on the same or more favorable terms; (b) payments to Affiliates in respect of securities of the Issuer or any of the Restricted Subsidiaries contemplated in the foregoing clause (17)(a) or that were acquired from Persons other than the Issuer and the Restricted Subsidiaries, in each case, in accordance with the terms of such securities; and (c)(i) acquisition by Affiliates of Target Shares from Persons other than the Issuer or any of the Restricted Subsidiaries and (ii) Acquisition of such Target Shares by the Issuer or German Holdco from such Affiliates (and payment of reasonable out-of-pocket expenses Incurred by such Affiliates in connection with the purchase and sale to the Issuer or German Holdco of such Target Shares);
- (18) payments by any Parent Entity, the Issuer and/or the Restricted Subsidiaries pursuant to any tax sharing agreements or other equity agreements in respect of Related Taxes among any such Parent Entity, the Issuer and/or the Restricted Subsidiaries on customary terms to the extent attributable to the ownership or operation of the Issuer and its Subsidiaries;
- (19) payments, Indebtedness and Disqualified Stock (and cancellation of any thereof) of the Issuer and the Restricted Subsidiaries and Preferred Stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Issuer, any of its Subsidiaries or any of its Parent Entities pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors, officers, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) that are, in each case, approved by the Issuer in good faith;
- (20) employment and severance arrangements between the Issuer or the Restricted Subsidiaries and their respective officers, directors, contractors, consultants, distributors and employees in the ordinary course of business or entered into in connection with or as a result of the Transactions;
- (21) any transition services arrangement, supply arrangement or similar arrangement entered into in connection with or in contemplation of the disposition of assets or Capital Stock in any Restricted Subsidiary permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" or entered into with any Business Successor, in each case, that the Issuer determines in good faith is either fair to the Issuer or otherwise on customary terms for such type of arrangements in connection with similar transactions;
- (22) transactions entered into by an Unrestricted Subsidiary with an Affiliate prior to the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described under "*—Designation of Restricted and Unrestricted Subsidiaries*" and pledges of Capital Stock of Unrestricted Subsidiaries;
- (23) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer that is not a Restricted Subsidiary, as lessor, which is approved by a majority of the members of the Board of Directors of the Issuer;
- (24) intellectual property licenses in the ordinary course of business or consistent with past practice;
- (25) payments to or from, and transactions with, any joint venture in the ordinary course of business or consistent with past practice (including any cash management activities related thereto);
- (26) the payment of costs and expenses related to registration rights and customary indemnities provided to shareholders under any shareholder agreement; and
- (27) any Permitted Tax Restructuring.

#### ***Designation of Restricted and Unrestricted Subsidiaries***

The Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary and any Unrestricted Subsidiary to be a Restricted Subsidiary, in each case, if that designation would not cause a Default. If a

Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Issuer and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments pursuant to the covenant described under “—*Limitation on Restricted Payments*” or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Senior Secured Notes Indenture and any Indebtedness of such Subsidiary will be deemed to be Incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under “—*Limitation on Indebtedness*,” the Issuer will be in default of such covenant.

If an Unrestricted Subsidiary is designated as a Restricted Subsidiary, that designation will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under “—*Limitation on Indebtedness*” (including pursuant to clause (5) of the second paragraph thereof, treating such designation as an acquisition for the purpose of such clause), calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence immediately following such designation. Any such designation by the Issuer or the re-designation of an Unrestricted Subsidiary to a Restricted Subsidiary as contemplated hereby shall be evidenced to the Trustee on the date of such designation or re-designation by filing with the Trustee an Officer’s Certificate certifying that such designation or re-designation complies with the preceding conditions.

### ***Reports***

So long as any Senior Secured Notes are outstanding, the Issuer will furnish to the Trustee the following reports following the Issue Date:

- (1) within 150 days after the end of the Issuer’s fiscal year ending December 31, 2017, and within 120 days after the end of the Issuer’s fiscal years thereafter, beginning with the fiscal year ending December 31, 2017, annual reports containing: (i) the audited consolidated balance sheet of the Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (ii) an operating and financial review of the audited financial statements, including a discussion of the consolidated financial condition, results of operations, EBITDA and material changes in liquidity and capital resources of the Issuer; (iii) unaudited pro forma income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations (other than an Acquisition) that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such pro forma information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iv) a brief description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; *provided* that the information described in clause (iv) may be provided in the footnotes to the audited financial statements;
- (2) within 60 days (or, in the case of the fiscal quarter ended September 30, 2017, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ended September 30, 2017, quarterly financial statements containing the following information: (i) the Issuer’s unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited pro forma income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions,



dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, EBITDA and material changes in liquidity and capital resources of the Issuer; and

- (3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a change in a senior executive officer of the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Senior Secured Notes are not freely transferable under the Exchange Act by persons who are not “affiliates” under the Securities Act.

All financial statement information (excluding, for the avoidance of doubt, the calculations made under any incurrence covenant, which shall be prepared in accordance with the terms of the Senior Secured Notes Indenture) shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Issuer’s pro forma consolidated revenue or LTM EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Issuer’s Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this “*Reports*” covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d).

All reports provided pursuant to this “*Reports*” covenant shall be in English, or with a certified English translation.

Subject to compliance with the next succeeding paragraph, in the event that, and for so long as, the equity securities of the Issuer, the Target or any Parent Entity or IPO Entity are listed on the Main Market of the London Stock Exchange (or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange) and the Issuer, the Target or such Parent Entity or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on the Main Market of the London Stock Exchange (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange), for so long as it elects, the



Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the London Stock Exchange (or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange) pursuant to such admission and disclosure standards (or the applicable standards of one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange, as applicable). Upon complying with the foregoing requirements, and *provided* that such requirements require the Issuer, the Target or any Parent Entity or IPO Entity to prepare and file annual reports, information, documents and other reports with the Main Market of the London Stock Exchange, or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange, as applicable, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

The Issuer may comply with any requirement to provide reports or financial statements under this covenant by providing any report or financial statements of a direct or indirect Parent Entity of the Issuer so long as such reports (if an annual, half yearly or quarterly report) (a) meet the requirements (including as to content and time of delivery) of this covenant as if references to the Issuer therein were references to such Parent Entity and (b) include condensed consolidated financial information together with separate columns for: (i) such Parent Entity; (ii) the Issuer and the Restricted Subsidiaries on a combined basis; (iii) any other Subsidiaries of the Parent Entity that are not the Issuer or Subsidiaries of the Issuer on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts. Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Notwithstanding the foregoing, for purposes of this covenant, the Issuer shall be permitted to use financial statements of the Target Group with respect to periods commencing prior to the Control Date; *provided* that the Issuer also provides separate columns (to the extent applicable) relating to the Issuer as described in clause (b) of the immediately preceding paragraph, and, when making any calculation required under the Senior Secured Notes Indenture, includes the Indebtedness of the Issuer, as applicable.

#### ***Impairment of Security Interest***

The Issuer shall not, and shall not permit any Restricted Subsidiary or the Company to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary or the Company to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Senior Secured Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, *except* that (i) the Issuer, the Company and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Senior Secured Security Documents for the purposes of Incurring Permitted Collateral Liens, (ii) the Issuer, the Company and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Senior Secured Security Documents for the purposes of undertaking a Permitted Reorganization, (iii) the Collateral may be discharged and released in accordance with the Senior Secured Notes Indenture, the applicable Senior Secured Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Senior Secured Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, error or inconsistency therein and (v) the Issuer, the Company and the Restricted Subsidiaries may amend the Security Interests in any manner that does not adversely affect Holders in any material respect; *provided, however*, that in the case of clause (i), (ii) and (v) above, the Senior Secured Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced pursuant to clause (i), (ii) or (v) above, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in a form reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole (or, in the case of any relevant action with respect to Senior Secured Security Documents to which the Company is party as a security grantor, confirming the solvency of the Company), after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a

certificate from the Board of Directors of the relevant Person, in a form satisfactory to the Trustee, which confirms the solvency of the Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in a form reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Senior Secured Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer, the Company or an applicable Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications consent to any amendment, extension, renewal, restatement, supplement, release or other modification or replacement requested in accordance with this covenant without the need for instructions from any Holder.

### *Additional Guarantees*

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Senior Facilities, any Credit Facility or any Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee of such other Indebtedness is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture substantially in the form attached to the Senior Secured Notes Indenture pursuant to which such Restricted Subsidiary will provide a Senior Secured Notes Guarantee, which Senior Secured Notes Guarantee will be senior to or *pari passu* with, as applicable, such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Senior Secured Notes Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Senior Secured Notes Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Senior Secured Notes Guarantees granted pursuant to this provision shall be released as set forth under “*Senior Secured Notes Guarantees—Senior Secured Notes Guarantee Release.*” A Senior Secured Notes Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Secured Notes Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by, and at the cost of, the Issuer to effectuate any release of a Senior Secured Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Senior Secured Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in “*Risk Factors—Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*” and “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*”

### *Additional Intercreditor Agreements*

The Senior Secured Notes Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer, the Company or any Restricted Subsidiary of (x) any Indebtedness secured on Collateral or as otherwise required herein and (y) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an “*Additional Intercreditor Agreement*”) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders (taken as a whole)), including substantially the same terms with respect to release of Senior Secured Notes Guarantees and priority and release of the Security Interests; *provided* that (1) such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or Security Agent under the Senior Secured Notes Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement and (2) if more than one such intercreditor agreement is outstanding at any time, the correlative terms of such intercreditor agreements must not conflict.

The Senior Secured Notes Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Secured Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Secured Notes (including Additional Senior Secured Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Secured Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders (taken as a whole) in any material respect, making all necessary provisions to ensure that the Senior Secured Notes and the Senior Secured Notes Guarantees are secured by first-ranking Liens over the Collateral. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted below under “*Amendments and Waivers*,” and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, indemnities or immunities under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Secured Notes Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “*—Limitation on Restricted Payments.*”

The Senior Secured Notes Indenture also will provide that each Holder, by accepting a Senior Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement and any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices.

### ***Limitation on Activities of the Issuer***

The Issuer shall not carry on any business or own any material assets other than:

- (1) the Incurrence, Guarantee, offering, sale, issuance and servicing, listing, purchase, redemption, exchange, refinancing or retirement of Indebtedness (and guarantees thereof, including the Senior Notes Guarantees) permitted by the terms of the Senior Secured Notes Indenture or performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under the Senior Secured Notes Indenture, and the granting of any Liens permitted pursuant to the covenant described above under the caption “—*Limitation on Liens*”;
- (2) (i) rights and obligations arising under the Senior Secured Notes Indenture, any Credit Facility, the Intercreditor Agreement (including any Additional Intercreditor Agreement) and the Senior Secured Security Documents or any other agreement of the Issuer and the Restricted Subsidiaries existing on the Issue Date or to which it is or becomes a party or (ii) undertaken with the purpose of, or directly related to, the fulfilling of any other obligations under any Indebtedness permitted by the Senior Secured Notes Indenture;
- (3) the ownership of (i) cash and Cash Equivalents, (ii) the Capital Stock and other equity instruments of the Target or any direct or indirect parent company of the Target and intercompany loans made to the Target or any direct or indirect parent company or Subsidiary of the Target and (iii) other property, in each case to the extent contributed substantially concurrently to a Parent Entity to the extent such contribution is not prohibited by the terms of the Senior Secured Notes Indenture;
- (4) making Investments in the Senior Secured Notes (including any Additional Senior Secured Notes) or any other Indebtedness to the extent such Investment is not prohibited by the terms of the Senior Secured Notes Indenture;
- (5) (i) involving the provision of administrative, managerial, legal, treasury (including those related to overhead costs, paying filing fees and other ordinary course expenses (such as audit fees and Taxes), treasury services and cash pooling arrangements) and accounting services as to itself and as to its Subsidiaries of a type customarily provided by a holding Issuer to its Subsidiaries as to itself and the receipt of any amounts related thereto and (ii) the fulfilment of any periodic reporting requirements;
- (6) related or reasonably incidental to the establishment and/or maintenance of its and its Subsidiaries’ corporate existence;
- (7) the making or receipt (i) of any Restricted Payment, Permitted Payment or Permitted Investment permitted by the terms of the Senior Secured Notes Indenture, (ii) any Asset Disposition permitted by the terms of the Senior Secured Notes Indenture and (iii) an offering, issuance, sale or other disposition of its Capital Stock to a Parent Entity to the extent not otherwise prohibited by the terms of the Senior Secured Notes Indenture;
- (8) relating to the lending of proceeds of Indebtedness and Equity Offerings to Restricted Subsidiaries, whether as Subordinated Shareholder Funding or otherwise;
- (9) conducting activities in preparation for, directly related to or reasonably incidental to, any Initial Public Offering, Equity Offering, Change of Control or asset disposition, including the maintenance of any listing of equity interests issued by an IPO Entity;
- (10) any liabilities or obligations in connection with any employee or participation scheme, including any management equity plan, incentive plan or other similar scheme operated by, for the benefit of, on behalf of or in respect of itself or any Restricted Subsidiary (and/or any current or past employees, directors or members of management thereof and any related corporate entity established for such purpose;
- (11) pursuant to or in connection with the Transactions or in the manner specifically contemplated in the Tax Structure Memorandum and any step or action taken (or relating to a step or action taken) by the Issuer in relation thereto prior to the Issue Date or pursuant to or in connection with any Permitted Holdco Transaction or Permitted Reorganization; or
- (12) other activities not specifically enumerated above that are ancillary or *de minimis* in nature.



## Merger and Consolidation

### *The Issuer*

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer or lease or otherwise dispose of all or substantially all of its assets, in one transaction or a series of related transactions, to any Person, unless:

- (1) the resulting, surviving or transferee Person (the “*Successor Issuer*”) will be a Person organized and existing under the laws of any member state of the European Union, or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the applicable Successor Issuer or any Subsidiary of the applicable Successor Issuer as a result of such transaction as having been Incurred by the applicable Successor Issuer or such Subsidiary at the time of such transaction), no Default has occurred and is continuing;
- (3) immediately after giving effect to such transaction, either (a) the Issuer or the applicable Successor Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or (b) the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer or the Successor Issuer, as the case may be, shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (in the case of a Successor Issuer) comply with the Senior Secured Notes Indenture and an Opinion of Counsel to the effect that such supplemental indenture (in the case of a Successor Issuer) is a legal and binding agreement enforceable against the Successor Issuer, *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact, including as to satisfaction of clauses (1), (2) and (3) above.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture, but in a case of a lease of all or substantially all of its assets, the predecessor Person will not be released from its obligations under the Senior Secured Notes Indenture or the Senior Secured Notes.

### *Guarantors*

No Guarantor may:

- (1) consolidate with or merge with or into any Person; or
- (2) sell, assign, convey, transfer, lease or dispose of, all or substantially all its assets, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into such Guarantor, unless:
  - (A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such transaction;
  - (B) (1) either (x) the Issuer or another Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Senior Secured Notes Guarantee and the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Security Documents, as applicable and (2) immediately after giving effect to such transaction, no Default has occurred and is continuing; or
  - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise not prohibited by the Senior Secured Notes Indenture.



The provisions set forth in this “*Merger and Consolidation*” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that (A) if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Senior Secured Notes, the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Security Documents and clauses (1) and (4) under the heading “—*The Issuer*” shall apply to such transaction; and (B) to the extent that any Security Interest previously granted over the shares in the capital of the relevant Guarantor would not, in accordance with applicable law, constitute a Lien over the shares in the capital of the surviving entity, the direct holding company of the relevant surviving entity shall, subject to the Agreed Security Principles, grant a Security Interest over the shares in the capital of such surviving entity on substantially equivalent terms to any Security Interest granted over the shares in the capital of such predecessor Guarantor immediately prior to such merger or consolidation; or (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that clauses (1), (2) and (4) under the heading “—*The Issuer*” or clause (3) under this heading “*Guarantors*,” as the case may be, shall apply to any such transaction; or (v) any Permitted Holdco Transaction.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph under the heading “—*The Issuer*”) shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary. Notwithstanding the foregoing, the Transactions and any Permitted Holdco Transactions will be permitted without compliance with this section.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

## Events of Default

Each of the following is an Event of Default under the Senior Secured Notes Indenture:

- (1) default in any payment of interest on any Senior Secured Note when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Issuer or any Guarantor to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Senior Secured Notes with any agreement or obligation contained in the Senior Secured Notes Indenture;
- (4) the occurrence of any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Significant Subsidiary (or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and the Restricted Subsidiaries) would constitute a Significant Subsidiary) (or the payment of which is Guaranteed by the Issuer or any Significant Subsidiary (or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and the Restricted Subsidiaries or, in respect of the period prior to the availability of audited consolidated financial statements for the Issuer following the Issue Date, as of the latest audited consolidated financial statements for the Target Group) would constitute a Significant Subsidiary)) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:
  - (a) is caused by a failure to pay principal of such Indebtedness, at its stated final maturity (after giving effect to any applicable grace periods) provided in such Indebtedness (“*payment default*”); or

(b) results in the acceleration of such Indebtedness prior to its stated final maturity (the “*cross acceleration provision*”),

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default of principal at its stated final maturity (after giving effect to any applicable grace periods) or the maturity of which has been so accelerated, aggregates €50.0 million or more at any time outstanding;

- (5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary (or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and the Restricted Subsidiaries) would constitute a Significant Subsidiary) (the “*bankruptcy provisions*”);
- (6) failure by the Issuer or a Significant Subsidiary (or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and the Restricted Subsidiaries) would constitute a Significant Subsidiary) to pay final judgments aggregating in excess of €50.0 million other than any judgments covered by indemnities provided by, or insurance policies issued by, reputable and creditworthy companies, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days (after receipt of notice as described in the next succeeding paragraph) after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed (the “*judgment default provision*”);
- (7) any Security Interest under the Senior Secured Security Documents having a fair market value in excess of €20.0 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Senior Secured Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture) for any reason other than the satisfaction in full of all obligations under the Senior Secured Notes Indenture or the release of any such Security Interest in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Senior Secured Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days; and
- (8) except as permitted under the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement (including with respect to any limitations), any Senior Secured Notes Guarantee of a Guarantor that is a Significant Subsidiary (or any group of Guarantors that, taken together (as of the latest audited consolidated financial statements for the Issuer and the Restricted Subsidiaries) would constitute a Significant Subsidiary) is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary (or any group of Guarantors that, taken together (as of the latest audited consolidated financial statements for the Issuer and the Restricted Subsidiaries) would constitute a Significant Subsidiary), or any Person acting on behalf of any such Guarantor or Guarantors, denies or disaffirms its obligations under its Senior Secured Notes Guarantee.

However, a Default under clauses (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of at least 30% in aggregate principal amount of the outstanding Senior Secured Notes notify the Issuer of the Default and, with respect to clauses (4) and (6), the Issuer does not cure such Default within 60 days after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by written notice to the Issuer or the Holders of at least 30% in aggregate principal amount of the outstanding Senior Secured Notes by written notice to the Issuer and the Trustee may, and the Trustee (subject to certain conditions) at the request of such Holders shall, declare the principal of and accrued and unpaid interest, if any, on all the Senior Secured Notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Senior Secured Notes because an Event of Default described in clause (4) under “*Events of Default*” has occurred and is continuing, the declaration of acceleration of the Senior Secured Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, in each case, within 30 days after the declaration of acceleration with respect

thereto and the annulment of the acceleration of the Senior Secured Notes would not conflict with any judgment or decree of a court of competent jurisdiction.

If an Event of Default described in clause (5) above with respect to the Issuer occurs and is continuing, the principal of and accrued and unpaid interest, if any, on all the Senior Secured Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders may not enforce the Senior Secured Notes Indenture or the Senior Secured Notes except as provided in the Senior Secured Notes Indenture and may not enforce the Senior Secured Security Documents except as provided in such Senior Secured Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any, on any Senior Secured Note held by a non-consenting Holder, which may only be waived with the consent of Holders of not less than 90% of the aggregate principal amount of the outstanding Senior Secured Notes) and rescind any such acceleration with respect to such Senior Secured Notes and its consequences (including the payment default that resulted from such acceleration) if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Senior Secured Notes Indenture will provide that (i) if a Default for a failure to report or failure to deliver a required certificate in connection with another default (the “*Initial Default*”) occurs, then at the time such Initial Default is cured, such Default for a failure to report or failure to deliver a required certificate in connection with another default that resulted solely because of that Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled “*Certain Covenants—Reports*” or otherwise to deliver any notice or certificate pursuant to any other provision of the Senior Secured Notes Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or such notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Senior Secured Notes Indenture.

The Trustee will be under no obligation to exercise any of the rights or powers under the Senior Secured Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Senior Secured Notes Indenture or the Senior Secured Notes unless:

- (1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) Holders of at least 30% in principal amount of the outstanding Senior Secured Notes have requested in writing the Trustee to pursue the remedy;
- (3) such Holders have offered in writing and, if requested, provided to the Trustee security and/or indemnity satisfactory to the Trustee in its sole discretion against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in principal amount of the outstanding Senior Secured Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Senior Secured Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Senior Secured Notes Indenture will provide that, in the event an Event of Default has occurred and is continuing, of which a responsible officer of the Trustee has received written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Secured Notes Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under

the Senior Secured Notes Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to the Trustee in its sole discretion against all fees, losses, liabilities and expenses caused by taking or not taking such action.

The Senior Secured Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Secured Note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

### **Amendments and Waivers**

Subject to certain exceptions, the Senior Secured Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes). However, without the consent of Holders holding not less than 90% (or, in the case of clause (9) below, 75%) of the then outstanding principal amount of the Senior Secured Notes, an amendment or waiver may not, with respect to any Senior Secured Notes held by a non-consenting Holder:

- (1) reduce the stated rate of or extend the stated time for payment of interest on any such Senior Secured Note (other than provisions relating to Change of Control and Asset Dispositions);
- (2) reduce the principal of or extend the Stated Maturity of any such Senior Secured Note (other than provisions relating to Change of Control and Asset Dispositions);
- (3) reduce the premium payable upon the redemption of any such Senior Secured Note or change the time at which any such Senior Secured Note may be redeemed, in each case as described above under "*Optional Redemption*" or "*Redemption for Taxation Reasons*";
- (4) make any such Senior Secured Note payable in currency other than that stated in such Senior Secured Note;
- (5) impair the right of any Holder to institute suit for the enforcement of any payment of principal of, or interest or Additional Amounts, if any, on such Holder's Senior Secured Notes on or after the due dates therefor;
- (6) make any change in the provision of the Senior Secured Notes Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Senior Secured Notes in any material respect or amends the terms of such Senior Secured Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (7) release all or substantially all Security Interests granted for the benefit of the Holders in the Collateral (taken as a whole) other than in accordance with the terms of the Senior Secured Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Senior Secured Notes Indenture; *provided* that, for the avoidance of doubt and without prejudice to the covenant described under the heading "*Certain Covenants—Impairment of Security Interest*," the release of less than all or substantially all Security Interests granted for the benefit of the Holders in the Collateral (taken as a whole) shall only require the consent of Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived



with the consent of the Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes);

- (8) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any (except pursuant to a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in principal amount of such Senior Secured Notes and a waiver of the payment default that resulted from such acceleration);
- (9) release any Guarantor from any of its obligations under its Senior Secured Notes Guarantee or the Senior Secured Notes Indenture, except in accordance with the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement; or
- (10) reduce the principal amount of Senior Secured Notes whose holders must consent to any amendment, waiver or modification or make any other change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

For the avoidance of doubt, no amendment to, or deletion of, or actions taken in compliance with, the covenants described under "*Certain Covenants*" shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or interest or premium, if any, on the Senior Secured Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee and the other parties thereto, as applicable, may amend or supplement any Senior Secured Notes Documents to:

- (1) cure any ambiguity, omission, mistake, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or a Guarantor under any Senior Secured Notes Document;
- (3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Trustee or the Holders or make any change (including changing the ISIN or other identifying number on any Senior Secured Notes) that does not adversely affect the rights of the Trustee or any Holder in any material respect;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of senior management of the Issuer) for the issuance of Additional Senior Secured Notes that may be issued in compliance with the Senior Secured Notes Indenture;
- (6) provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees*," to add Senior Secured Notes Guarantees with respect to the Senior Secured Notes, to add security to or for the benefit of the Senior Secured Notes, or to confirm and evidence the release, termination, discharge or retaking of any Senior Secured Notes Guarantee or Lien with respect to or securing the Senior Secured Notes when such release, termination, discharge or retaking is provided for under the Senior Secured Notes Indenture, the Senior Secured Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Secured Notes Indenture, the Senior Secured Security Documents or the Senior Secured Notes to any provision of this "*Description of the Senior Secured Notes*" to the extent that such provision in this "*Description of the Senior Secured Notes*" was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, the Senior Secured Security Documents or the Senior Secured Notes;
- (8) evidence and provide for the acceptance and appointment under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Senior Secured Notes Document;
- (9) in the case of the Senior Secured Security Documents, to mortgage, pledge, hypothecate or grant a Security Interest in favor of the Security Agent for the benefit of the Holders or parties to the Senior Facilities, in any property which is required by the Senior Secured Security Documents or the Senior Facilities (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a Security Interest is required to be granted to the Security Agent, or to the extent necessary to grant a Security Interest in the Collateral for the benefit of any Person; *provided* that the granting of such



Security Interest is not prohibited by the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under “*Certain Covenants—Impairment of Security Interest*” is complied with;

- (10) make any amendment to the provisions of the Senior Secured Notes Indenture relating to the transfer and legending of Senior Secured Notes as permitted by the Senior Secured Notes Indenture, including to facilitate the issuance and administration of Senior Secured Notes; *provided, however*, that (i) compliance with the Senior Secured Notes Indenture as so amended would not result in Senior Secured Notes being transferred in violation of the Securities Act or any other applicable securities law and (ii) such amendment does not adversely affect the rights of Holders to transfer Senior Secured Notes in any material respect;
- (11) facilitate any transaction that complies with the covenants described under the headings “*Merger and Consolidation*” and “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” relating to mergers, consolidations and sales of assets; or
- (12) as provided in “*Certain Covenants—Additional Intercreditor Agreements*.”

In formulating its decisions on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer’s Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment of any Senior Secured Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Secured Notes Indenture by any Holder of Senior Secured Notes given in connection with a tender of such Holder’s Senior Secured Notes will not be rendered invalid by such tender. The Senior Secured Notes Indenture will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

## **Defeasance**

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Senior Secured Notes Documents (“*legal defeasance*”) and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Secured Notes, registrations of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Senior Secured Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate the obligations of it and the Restricted Subsidiaries under the covenants described under “*Certain Covenants*” (other than clauses (1), (2) and (4) of “*Merger and Consolidation—The Issuer*”) and “*Change of Control*” and the default provisions relating to such covenants described under “*Events of Default*” above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions (other than with respect to the Issuer), the judgment default provision, the guarantee provision and the security default provisions described under “*Events of Default*” above (“*covenant defeasance*”).

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior Secured Notes may not be accelerated because of an Event of Default with respect to the Senior Secured Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Secured Notes, payment of the Senior Secured Notes may not be accelerated because of an Event of Default specified in clause (3) (other than clauses (1), (2) and (4) of “*Merger and Consolidation—The Issuer*”), (4), (5) (with respect only to the Issuer and Significant Subsidiaries (or a group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and the Restricted Subsidiaries) would constitute a Significant Subsidiary) of the Issuer), (6), (7) or (8) under “*Events of Default*” above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the “*defeasance trust*”) with the Trustee cash in Euros or European Government Obligations or a combination thereof for

the payment of principal, premium, if any, and interest on the Senior Secured Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel, subject to customary assumptions and exclusions, to the effect that Holders, in their capacity as Holders, will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law since the issuance of the Senior Secured Notes);
- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer; and
- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with.

### **Satisfaction and Discharge**

The Senior Secured Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Senior Secured Security Documents will be discharged and cease to be of further effect (except as to surviving rights of transfer or exchange of the Senior Secured Notes and rights of the Trustee, as expressly provided for in the Senior Secured Notes Indenture) as to all Senior Secured Notes when (1) either (a) all the Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes and certain Senior Secured Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Senior Secured Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee, money in Euros or European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Senior Secured Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Secured Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Senior Secured Notes Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Senior Secured Notes Indenture to apply the deposited money toward the payment of the Senior Secured Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Secured Notes Indenture relating to the satisfaction and discharge of the Senior Secured Notes Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)). If requested in writing by the Issuer, the Trustee may distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; *provided, however*, that the Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts.

### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer or any of its respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Senior Secured Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes.

Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

### **Concerning the Trustee**

U.S. Bank Trustees Limited is to be appointed as Trustee under the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in such Senior Secured Notes Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Senior Secured Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Senior Secured Notes Indenture will not be construed as an obligation or duty.

The Senior Secured Notes Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Senior Secured Notes Indenture sets out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the outstanding Senior Secured Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain minimum limits regarding the aggregate of its capital and surplus or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior Secured Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses Incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Senior Secured Notes Indenture.

### **Notices**

If and for so long as the Senior Secured Notes are listed on the Exchange and if and to the extent that the rules of the Exchange so require, notices of the Issuer with respect to the Senior Secured Notes will be sent to the Exchange.

All notices to Holders will be validly given if electronically delivered or mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. For so long as any Senior Secured Notes are represented by Global Senior Secured Notes, all notices to Holders will be delivered to Euroclear and Clearstream in accordance with the applicable procedures of Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, which will give such notices to the Holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided that*, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

## **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, premium, if any, or Additional Amounts, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Senior Secured Notes will be prescribed six years after the applicable due date for payment of interest.

## **Currency Indemnity and Calculation of Euro-Denominated Restrictions**

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Senior Secured Notes and the Senior Secured Notes Guarantees, including damages. Any amount received or recovered in a currency other than Euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Euro amount is less than the Euro amount expressed to be due to the recipient or the Trustee under any Senior Secured Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Secured Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Secured Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Secured Note or any Senior Secured Notes Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any Euro-denominated restriction herein, the Euro equivalent amount for purposes hereof that is denominated in a non-Euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-Euro amount is Incurred or made, as the case may be.

## **Listing**

Application has been made to list the Senior Secured Notes on the Exchange and for permission to be granted to deal in the Senior Secured Notes on the Exchange. There can be no assurance that the application to list the Senior Secured Notes on the Exchange will be approved or that permission to deal in the Senior Secured Notes thereon will be granted, and settlement of the Senior Secured Notes is not conditioned on obtaining this listing or permission.

## **Enforceability of Judgments**

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Secured Notes, may not be collectable within the United States.

## **Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Senior Secured Notes Indenture and the Senior Secured Notes, the Issuer and the Guarantors will in the Senior Secured Notes Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City, County and State of New York, in the United States of America. The Senior Secured Notes Indenture will provide that the Issuer and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Senior Secured Notes Indenture, the Senior

Secured Notes and the Senior Secured Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York.

### **Governing Law**

The Senior Secured Notes Indenture and the Senior Secured Notes, and the rights and duties of the parties thereunder, and the Senior Secured Notes Guarantees thereunder, shall be governed by and construed in accordance with the laws of the State of New York. For the avoidance of doubt, the governing law of the Senior Secured Notes Indenture and the Senior Secured Notes may be amended with the consent of Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes). The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England. The Senior Secured Security Documents will be governed by the law of the location of the relevant asset that is part of the Collateral.

### **Certain Definitions**

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary; (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition; or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*Acquisition*” means any acquisition by the Issuer or German Holdco of Target Shares: (a) pursuant to the voluntary public tender offer (*Freiwilliges Übernahmeangebot*) by the Issuer for the Target Shares in accordance with the German Takeover Code and the public announcement, dated July 10, 2017, to all shareholders of the Target for the acquisition by the Issuer of the Target Shares pursuant to Section 10 of the German Takeover Code; (b) pursuant to any Acquisition Agreement; (c) pursuant to the Domination Agreement; (d) pursuant to a Squeeze-Out; (e) which are tendered in accordance with section 39c of the German Takeover Code; and/or (f) in the open market.

“*Acquisition Agreement*” means any agreement relating to the sale and purchase by the Issuer of certain Target Shares and made between (i) one or more vendors and (ii) the Issuer, an Initial Investor or any of their respective Affiliates or Related Funds.

“*Additional Assets*” means:

- (1) any property or assets (other than Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets (in each case, on or after the Issue Date));
- (2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Agreed Security Principles*” means the agreed security principles appended to the Senior Facilities Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Senior Secured Notes in good faith by the Issuer.



“*Applicable Premium*” means the greater of:

- (a) 1% of the principal amount of such Senior Secured Note; and
- (b) the excess (to the extent positive) of:
  - (i) the present value at such redemption date of (A) the redemption price of such Senior Secured Note at September 30, 2020 (such redemption price (expressed in percentage of principal amount) being set forth in the table under “*Optional Redemption*” (excluding accrued and unpaid interest)), plus (B) all required interest payments due on such Senior Secured Note to and including September 30, 2020 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points; over
  - (ii) the outstanding principal amount of such Senior Secured Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation of the Trustee or Paying Agent.

“*Asset Disposition*” means:

- (a) the voluntary sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of property or assets (including by way of a Sale and Leaseback Transaction) of the Issuer or any of the Restricted Subsidiaries (in each case other than Capital Stock of the Issuer) (each referred to in this definition as a “*disposition*”); or
- (b) the issuance, sale, transfer or other disposition of Capital Stock of any Restricted Subsidiary (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or directors’ qualifying shares and shares issued to foreign nationals as required under applicable law), whether in a single transaction or a series of related transactions,

in each case, other than:

- (1) a disposition by the Issuer or a Restricted Subsidiary to the Issuer or a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory or other assets (including Settlement Assets) in the ordinary course of business or consistent with past practice or held for sale or no longer used in the ordinary course of business, including any disposition of disposed, abandoned or discontinued operations;
- (4) a disposition of obsolete, worn-out, uneconomic, damaged or surplus property, equipment or other assets or property, equipment or other assets that are no longer economically practical or commercially desirable to maintain or used or useful in the business of the Issuer and the Restricted Subsidiaries whether now or hereafter owned or leased or acquired in connection with an acquisition or used or useful in the conduct of the business of the Issuer and the Restricted Subsidiaries (including by ceasing to enforce, allowing the lapse, abandonment or invalidation of or discontinuing the use or maintenance of or putting into the public domain any intellectual property that is, in the reasonable judgment of the Issuer or the Restricted Subsidiaries, no longer used or useful, or economically practicable to maintain, or in respect of which the Issuer or any Restricted Subsidiary determines in its reasonable judgment that such action or inaction is desirable);
- (5) transactions permitted under “*Merger and Consolidation*” or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) of less than the greater of (a) €50.0 million and (b) 10.0% of LTM EBITDA;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described under “*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted

Payment or Permitted Investment or, solely for purposes of the third paragraph under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” asset sales, the proceeds of which are used within 180 days of receipt of such proceeds to make such Restricted Payments, Permitted Payments or Permitted Investments;

- (9) dispositions in connection with Permitted Liens;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) conveyances, sales, transfers, licenses or sublicenses or other dispositions of intellectual property, software or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice or pursuant to a research or development agreement in which the counterparty to such agreement receives a license in the intellectual property or software that result from such agreement;
- (12) the lease, assignment, license, sublease or sublicense of any real or personal property in the ordinary course of business;
- (13) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (14) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;
- (15) any issuance or sale of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary or any other disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary or an Immaterial Subsidiary;
- (16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) dispositions of property to the extent (i) that such property is exchanged for credit against the purchase price of similar replacement property that is promptly purchased; (ii) that the proceeds of such disposition are promptly applied to the purchase price of such replacement property (which replacement property is actually promptly purchased); or (iii) allowable under Section 1031 of the U.S. Internal Revenue Code (or any similar provision under applicable tax law) and constituting any exchange of like property (excluding any boot thereon) for use in a Similar Business;
- (18) any disposition of Securitization Assets or Receivables Assets, or participations therein, in connection with any Qualified Securitization Financing or Receivables Facility, or the disposition of an account receivable in connection with the collection or compromise thereof in the ordinary course of business or consistent with past practice;
- (19) any disposition pursuant to a financing transaction with respect to property constructed, acquired, replaced, repaired or improved (including any reconstruction, refurbishment, renovation and/or development of real property) by the Issuer or any Restricted Subsidiary after the Issue Date, including Sale and Leaseback Transactions and asset securitizations, permitted by the Senior Secured Notes Indenture;
- (20) dispositions of Investments in joint ventures or similar entities to the extent required by, or made pursuant to customary buy/sell arrangements between, the parties to such joint venture set forth in joint venture arrangements and similar binding arrangements;
- (21) any surrender or waiver of contractual rights or the settlement, release, surrender or waiver of contractual, tort, litigation or other claims of any kind; and
- (22) the unwinding of any Cash Management Services or Hedging Obligations.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under “*Certain Covenants—Limitation on Restricted Payments*,” the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Disposition and/or one or more of the types of Permitted Investments or Investments permitted under “*Certain Covenants—Limitation on Restricted Payments*.”

“*Associate*” means (i) any Person engaged in a Similar Business of which the Issuer or the Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

“*Board of Directors*” means (i) with respect to any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (ii) with respect to any partnership, the board of directors or other governing body of the general partner, as applicable, of the partnership or any duly authorized committee thereof; (iii) with respect to a limited liability company, the managing member or members or any duly authorized controlling committee thereof; and (iv) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Secured Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). Unless the context requires otherwise, Board of Directors means the Board of Directors of the Issuer.

“*Bridge Facilities*” means the Senior Secured Bridge Facility and the Senior Unsecured Bridge Facility.

“*Bund Rate*” as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Issuer) most nearly equal to the period from the redemption date to September 30, 2020; *provided, however*, that if the period from the redemption date to September 30, 2020 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to September 30, 2020 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in (i) Frankfurt, Germany, (ii) London, United Kingdom or (iii) New York, New York, United States; are authorized or required by law to close.

“*Business Successor*” means (i) any former Subsidiary of the Issuer and (ii) any Person that, after the Issue Date, has acquired, merged or consolidated with a Subsidiary of the Issuer (that results in such Subsidiary ceasing to be a Subsidiary of the Issuer), or acquired (in one transaction or a series of transactions) all or substantially all of the property and assets or business of a Subsidiary or assets constituting a business unit, line of business or division of a Subsidiary of the Issuer.

“*Capital Stock*” of any Person means any and all shares of, rights to purchase or acquire, warrants, options or depositary receipts for, or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into, or exchangeable for, such equity.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

*“Cash Equivalents”* means:

- (1) (a) Euros, Canadian dollars, Swiss Francs, United Kingdom pounds, Japanese Yen, Dollars or any national currency of any member state of the European Union; or (b) any other foreign currency held by the Issuer and the Restricted Subsidiaries in the ordinary course of business;
- (2) securities or other direct obligations, issued or directly and fully Guaranteed or insured by the United States of America, Canadian, Japanese, Australian, Swiss, Norwegian or United Kingdom governments, the European Union or any member state of the European Union on the Issue Date or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), with maturities of 24 months or less from the date of acquisition;
- (3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least “A-1” or the equivalent thereof by S&P or at least “P-1” or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million;
- (4) repurchase obligations for underlying securities of the types described in clauses (2), (3) and (7) entered into with any bank meeting the qualifications specified in clause (3) above;
- (5) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any Person referenced in clause (3) above;
- (6) commercial paper and variable or fixed rate notes issued by a bank meeting the qualifications specified in clause (3) above (or by the Parent Entity thereof) maturing within one year after the date of creation thereof or any commercial paper and variable or fixed rate note issued by, or guaranteed by a corporation rated at least “A-1” or higher by S&P or “P-1” or higher by Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization selected by the Issuer) maturing within one year after the date of creation thereof;
- (7) interests in any investment company, money market, enhanced high yield fund or other investment fund which invests 90% or more of its assets in instruments of the types specified in clauses (1) through (6) above; and
- (8) for purposes of clause (2) of the definition of “Asset Disposition,” the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

*“Cash Management Services”* means any of the following to the extent not constituting a line of credit (other than an overnight draft facility that is not in default): automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services and/or cash management services, including controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements in the ordinary course of business or consistent with past practice.

*“Change of Control”* means:

- (1) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, being or becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act as in effect on the Issue Date) of more than 50% of the total voting power of the Voting Stock of the Issuer other than in connection with any transaction or series of transactions in which the Issuer shall become the wholly owned subsidiary of a Parent Entity so long as no Person or group, as noted above, other than a Permitted Holder, holds more than 50% of the total voting power of the Voting Stock of such Parent Entity;

- (2) the Company ceasing to directly own 100% of the total issued share capital (excluding director's qualifying shares) of the Issuer (or any successor entity as a result of a merger of the Issuer and the Target and/or German Holdco); or
- (3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole to a Person, other than the Issuer or any of the Restricted Subsidiaries or one or more Permitted Holders.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer's Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company, (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner and (c) a Permitted Holdco Transaction shall not constitute a Change of Control.

"Change of Control Triggering Event" means the occurrence of a Change of Control, unless *pro forma* for the Change of Control, the Consolidated Total Net Leverage Ratio is less than 5.70 to 1.00; *provided, however*, that following the first Change of Control Triggering Event in respect of which no Change of Control Offer has been made or waived, the definition of Change of Control Triggering Event shall thereafter mean a Change of Control.

"Clearstream" means Clearstream Banking, *société anonyme*, or any successor thereof.

"Company" means Nidda BondCo GmbH.

"Completion Date" means August 22, 2017.

"Consolidated Depreciation and Amortization Expense" means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including amortization or write-off of (i) intangibles and non-cash organization costs, (ii) deferred financing fees or costs and (iii) capitalized expenditures, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such Person and its Subsidiaries that are Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with IFRS and any write down of assets or asset value carried on the balance sheet.

"Consolidated EBITDA" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period:

- (1) increased (without duplication) by:
  - (a) provision for taxes based on income or profits, revenue or capital, including federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes of such Person paid or accrued during such period, including any penalties and interest relating to any tax examinations (including any additions to such taxes, and any penalties and interest with respect thereto), deducted (and not added back) in computing Consolidated Net Income; *plus*
  - (b) Fixed Charges of such Person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities, plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses (s) through (z) in clause (1) thereof), in each case, to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; *plus*
  - (c) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*



- (d) any (x) Transaction Expenses and (y) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), Permitted Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred by the Senior Secured Notes Indenture (including a refinancing thereof) (whether or not successful), in each case, including (i) such fees, expenses or charges (including rating agency fees and related expenses) related to the offering of the Senior Secured Notes, the Senior Secured Bridge Facility, the Senior Unsecured Bridge Facility, the offering of the Senior Notes, the Senior Facilities, any other Credit Facility and any Securitization Fees, and (ii) any amendment, waiver or other modification of the Senior Secured Notes, the Senior Notes, the Senior Facilities, Receivables Facilities, Securitization Facilities, any other Credit Facility, any other Indebtedness permitted to be Incurred under the Senior Secured Notes Indenture or any Equity Offering, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*
- (e) (i) the amount of any restructuring charge, accrual or reserve (and adjustments to existing reserves), integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs Incurred in connection with acquisitions or divestitures after the Issue Date, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employment benefit plans (including any settlement of pension liabilities), systems development and establishment costs, future lease commitments and costs related to the opening and closure and/or consolidation of facilities and to exiting lines of business and consulting fees Incurred with any of the foregoing and (ii) fees, costs and expenses associated with acquisition related litigation and settlements thereof; *plus*
- (f) any other non-cash charges, write-downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the impact of purchase accounting; *provided* that if any such non-cash charge, write-down or item to the extent it represents an accrual or reserve for a cash expenditure for a future period then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid or other items classified by the Issuer as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period); *plus*
- (g) the amount of board of director fees, management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to any member of the Board of Directors of the Issuer, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted under “*Certain Covenants—Limitation on Affiliate Transactions*”; *plus*
- (h) the “run rate” cost savings, operating expense reductions, restructuring charges and expenses and synergies that are expected (in good faith) to be realized as a result of actions taken or expected to be taken within 24 months after the date of any acquisition, disposition, divestiture, restructuring or the implementation of a cost savings or other similar initiative, as applicable (calculated on a *pro forma* basis as though such cost savings, operating expense reductions, restructuring charges and expenses and synergies had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such actions; *provided* that (i) such actions are expected to be taken within 24 months after the consummation of the acquisition, disposition, restructuring or the implementation of an initiative, as applicable, which is expected to result in cost savings, operating expense reductions, restructuring charges and expenses or synergies, and (ii) no cost savings, operating expense reductions, restructuring charges and expenses or synergies shall be added pursuant to this defined term to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a *pro forma* adjustment or otherwise, for such period (which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of “Fixed Charge Coverage Ratio”

(excluding, for the avoidance of doubt, the further proviso to the first paragraph of such definition)); *plus*

- (i) the “run rate” expected cost savings, operating expense reductions including, without limitation, costs and expenses related to information and technology systems establishment, modernization or modification, restructuring charges and expenses and synergies related to the Transactions projected by the Issuer in good faith to result from actions with respect to which substantial steps have been, will be, or are expected to be, taken (in the good faith determination of the Issuer), calculated on a *pro forma* basis as though such cost savings, operating expense reductions, restructuring charges and expenses and synergies had been realized from the first day of such period and during the entirety of such period, net of the amount of actual benefits realized during such period from such actions, and which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of “Fixed Charge Coverage Ratio” (excluding, for the avoidance of doubt, the further proviso to the first paragraph of such definition)); *plus*
- (j) the amount of loss or discount on sale of Securitization Assets, Receivables Assets and related assets to the Securitization Subsidiary in connection with a Qualified Securitization Financing or Receivables Facility; *plus*
- (k) any costs or expense Incurred by the Issuer or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Issuer or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth in clause (c) of the first paragraph under “*Certain Covenants—Limitation on Restricted Payments*”; *plus*
- (l) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (2) below for any previous period and not added back; *plus*
- (m) any net loss included in the Consolidated Net Income attributable to non-controlling interests; *plus*
- (n) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Issuer and the Restricted Subsidiaries; *plus*
- (o) net realized losses from Hedging Obligations or embedded derivatives; *plus*
- (p) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary, including payments to Minority Shareholders under the Domination Agreement, and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto; *plus*
- (q) with respect to any joint venture, an amount equal to the proportion of those items described in clauses (a) and (c) above relating to such joint venture corresponding to the Issuer’s and the Restricted Subsidiaries’ proportionate share of such joint venture’s Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) to the extent the same was deducted (and not added back) in calculating Consolidated Net Income; *plus*
- (r) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; *plus*
- (s) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost), and any other items of a similar nature; *plus*
- (t) the amount of expenses relating to payments made to option holders of the Issuer or any Parent Entity in connection with, or as a result of, any distribution being made to equityholders of such Person or its Parent Entities, which payments are being made to compensate such option holders

as though they were equityholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Senior Secured Notes Indenture; *plus*

- (u) to the extent not already otherwise included herein, adjustments and add-backs made in calculating “Pro Forma Consolidated EBITDA” for the pro forma twelve months ended June 30, 2017, included in the Offering Memorandum; *plus*
  - (v) earn out obligations Incurred in connection with any permitted acquisition or other Investment permitted under the Senior Secured Notes Indenture and paid or accrued during such period; *plus*
  - (w) losses, charges and expenses related to the pre-opening and opening of new facilities, and start-up period prior to opening, that are operated, or to be operated, by the Issuer or any Restricted Subsidiary; and
- (2) decreased (without duplication) by non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period.

“*Consolidated Interest Expense*” means, with respect to any Person for any period, without duplication, the sum of:

- (1) consolidated interest expense of such Person and its Subsidiaries that are Restricted Subsidiaries for such period (in each case, determined on the basis of IFRS), to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including (a) amortization of original issue discount or premium resulting from the issuance of Indebtedness at less than par, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of any Hedging Obligations or other derivative instruments pursuant to IFRS), (d) the interest component of Capitalized Lease Obligations, and (e) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding (s) Securitization Fees, (t) penalties and interest relating to taxes (but excluding, for the avoidance of doubt, any Additional Amounts paid with respect to the Senior Secured Notes, the Senior Secured Notes Guarantees or the Senior Notes Guarantees), (u) any additional cash interest owing pursuant to any registration rights agreement, (v) accretion or accrual of discounted liabilities other than Indebtedness, (w) any expense resulting from the discounting of any Indebtedness in connection with the application of recapitalization accounting or purchase accounting in connection with the Transactions or any acquisition, (x) amortization or write-off of deferred financing fees, debt issuance costs, debt discount or premium, terminated Hedging Obligations and other commissions, financing fees and expenses and original issue discount with respect to Indebtedness borrowed under the Senior Facilities and, adjusted to the extent included, to exclude any refunds or similar credits received in connection with the purchasing or procurement of goods or services under any purchasing card or similar program, (y) any expensing of bridge, commitment and other financing fees and (z) interest with respect to Indebtedness of any parent of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS; *plus*
- (2) consolidated capitalized interest of such Person and its Subsidiaries that are Restricted Subsidiaries for such period, whether paid or accrued (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); *less*
- (3) interest income for such period.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

“*Consolidated Net Income*” means, with respect to any Person for any period, the net income (loss) of such Person and its Subsidiaries that are Restricted Subsidiaries for such period determined on a consolidated basis on the basis of IFRS after any reduction in respect of Preferred Stock dividends; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary (including any net income (loss) from Investments recorded in such Person under the equity method of accounting), except that the Issuer’s equity in the net income of any such Person for such period will be included in

such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that (as reasonably determined by an Officer of the Issuer) could have been distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); *provided* that, for the purposes of clause (c) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*,” such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under the definition of “Permitted Investments”;

- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*,” any net income (loss) of any Restricted Subsidiary (other than the Issuer and the Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary’s articles, charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Facilities, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Notes or the Senior Notes Indenture and (c) restrictions specified in clause (13)(a) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”) except that the Issuer’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (3) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized upon the sale or other disposition of any asset (including pursuant to any Sale and Leaseback Transaction) or disposed or discontinued operations of the Issuer or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer);
- (4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense, including Transaction Expenses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance expense or relocation costs, one-time compensation charges, integration and facilities’ opening costs and other business optimization expenses and operating improvements (including related to new product introductions), systems development and establishment costs, accruals or reserves (including restructuring and integration costs related to acquisitions after the Issue Date and adjustments to existing reserves), whether or not classified as restructuring expense on the consolidated financial statements, signing costs, retention or completion bonuses, transition costs, costs related to closure/consolidation of facilities, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employee benefit plans (including any settlement of pension liabilities), contract terminations and professional and consulting fees Incurred with any of the foregoing;
- (5) the cumulative effect of a change in law, regulation or accounting principles, including any impact resulting from an election by the Issuer to apply GAAP at any time following the Issue Date;
- (6) any (i) non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions or on the re-valuation of any benefit plan obligation and (ii) income (loss) attributable to deferred compensation plans or trusts;
- (7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (8) any unrealized gains or losses in respect of any Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in

earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;

- (9) any fees and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Issue Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;
- (10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;
- (11) any unrealized or realized gain or loss due solely to fluctuations in currency values and the related tax effects, determined in accordance with IFRS;
- (12) any recapitalization accounting or purchase accounting effects, including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition (including the Transaction), or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);
- (13) any impairment charge, write-off or write-down, including impairment charges, write-offs or write-downs related to intangible assets, long-lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to IFRS;
- (14) any effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;
- (15) accruals and reserves that are established or adjusted (including any adjustment of estimated payouts on existing earn-outs) that are so required to be established as a result of the Transactions in accordance with IFRS, or changes as a result of adoption or modification of accounting policies;
- (16) any costs associated with the Transactions;
- (17) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures and any deferred tax expense associated with tax deductions or net operating losses arising as a result of the Transactions, or the release of any valuation allowances related to such item;
- (18) any (i) payments to third parties in respect of research and development, including amounts paid upon signing, success, completion and other milestones and other progress payments, to the extent expensed and (ii) effects of adjustments to accruals and reserves during a period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks (including government program rebates);
- (19) any net gain (or loss) from disposed, abandoned or discontinued operations and any net gain (or loss) on disposal of disposed, discontinued or abandoned operations; and
- (20) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Subsidiaries that are Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only



to the extent that such amount is (A) not denied by the applicable payor in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days) and (ii) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (A) not denied by the applicable carrier in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption.

*“Consolidated Senior Secured Net Leverage Ratio”* means, as of any date of determination, the ratio of (x) the sum of (a) Senior Secured Indebtedness and (b) the Reserved Indebtedness Amount that would upon Incurrence constitute Senior Secured Indebtedness as of such date, less the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis; to (y) LTM EBITDA; *provided, however*, that the pro forma calculation shall not give effect to (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under *“Certain Covenants—Limitation on Indebtedness”* (other than Indebtedness Incurred pursuant to clauses (1)(c) and 5(b) of the second paragraph of the covenant described under *“Certain Covenants—Limitation on Indebtedness”*), (ii) any Indebtedness Incurred pursuant to clause (4)(a) of the second paragraph of the covenant described under *“Certain Covenants—Limitation on Indebtedness”* or (iii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under *“Certain Covenants—Limitation on Indebtedness”* (other than the discharge of Indebtedness using proceeds of Indebtedness Incurred pursuant to clauses (1)(c) and (5)(b) of the second paragraph of the covenant described under *“Certain Covenants—Limitation on Indebtedness”*); *provided further, however*, that at any time prior to the Control Entry Date, in calculating the Consolidated Senior Secured Net Leverage Ratio, the portion of Senior Secured Indebtedness Incurred to finance the purchase of Target Shares in an Acquisition (and excluding, for the avoidance of doubt, Existing Target Debt Financing and Refinancing Indebtedness in respect of Existing Target Debt Financing) shall be multiplied by a quotient equal to (x) one, divided by (y) the percentage of the Target Shares held (directly or indirectly) by the Issuer as of the date of determination after giving pro forma effect to any increase in ownership of the Target Shares resulting from the transaction or transactions from which such determination results or which are contemplated in connection with any Reserved Indebtedness Amount.

*“Consolidated Total Indebtedness”* means, as of any date of determination, (a) the aggregate principal amount of Indebtedness for borrowed money (excluding Indebtedness with respect to Cash Management Services and intercompany Indebtedness of the Group (including the Target Group) as of such date), plus (b) Capitalized Lease Obligations, Purchase Money Obligations and unreimbursed drawings under letters of credit of the Issuer and the Restricted Subsidiaries outstanding on such date, minus (c) the aggregate amount of cash and Cash Equivalents included in the consolidated balance sheet of the Issuer and the Restricted Subsidiaries as of the end of the most recent fiscal period for which internal financial statements of the Issuer are available (*provided* that the cash proceeds of any proposed Incurrence of Indebtedness shall not be included in this clause (c) for purposes of calculating the Consolidated Total Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable), with such pro forma adjustments as are consistent with the pro forma adjustments set forth in the definition of *“Fixed Charge Coverage Ratio.”* For the avoidance of doubt, Consolidated Total Indebtedness shall exclude Indebtedness in respect of any Hedging Obligations, Receivables Facility or Securitization Facility.

*“Consolidated Total Net Leverage Ratio”* means, as of any date of determination, the ratio of (x) the sum of (a) Consolidated Total Indebtedness as of such date and (b) the Reserved Indebtedness Amount as of such date, to (y) LTM EBITDA; *provided, however*, that the pro forma calculation shall not give effect to (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under *“Certain Covenants—Limitation on Indebtedness”* (other than Indebtedness Incurred pursuant to clauses (1)(c), (1)(d) or 5(b) of the second paragraph of the covenant described under *“Certain Covenants—Limitation on Indebtedness”*), (ii) any Indebtedness Incurred pursuant to clause (4)(a) of the second paragraph of the covenant described under *“Certain Covenants—Limitation on Indebtedness”* or (iii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under *“Certain Covenants—Limitation on Indebtedness”* (other than the discharge of Indebtedness using proceeds of Indebtedness Incurred pursuant to clauses (1)(c), (1)(d) and (5)(b) of the second paragraph of the

covenant described under “*Certain Covenants—Limitation on Indebtedness*”); *provided further, however*, that at any time prior to the Control Entry Date in calculating the Consolidated Total Net Leverage Ratio, the portion of Consolidated Total Indebtedness Incurred to finance the purchase of Target Shares in an Acquisition (and excluding, for the avoidance of doubt, Existing Target Debt Financing and Refinancing Indebtedness in respect of Existing Target Debt Financing) shall be multiplied by a quotient equal to (x) one, divided by (y) the percentage of the Target Shares held (directly or indirectly) by the Issuer as of the date of determination, after giving pro forma effect to any increase in ownership of the Target Shares resulting from the transaction or transactions from which such determination results or which are contemplated in connection with any Reserved Indebtedness Amount.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“*primary obligations*”) of any other Person (the “*primary obligor*”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*Control Date*” means the earliest to occur of: (a) the Domination Agreement Registration Date; (b) the date upon which the Target is converted into a company with limited liability (GmbH); and (c) the date upon which the Target is merged into the Issuer pursuant to a merger related Squeeze-Out or the Target Shares of the Minority Shareholders are acquired pursuant to a Squeeze-Out and the Issuer is converted into a company with limited liability (GmbH).

“*Control Entry Date*” means the earlier of the date on which (a) the Domination Agreement is executed by the parties thereto; and (b) the Issuer and/or German Holdco acquires, gains the right to acquire and/or obtains acceptances to the Offer in respect of not less than 90% of the Target Shares.

“*Controlled Investment Affiliate*” means, as to any Person, any other Person, which directly or indirectly is in control of, is controlled by, or is under common control with such Person and is organized by such Person (or any Person controlling such Person) primarily for making direct or indirect equity or debt investments in the Issuer and/or other companies.

“*Credit Facility*” means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Senior Facilities or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Senior Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “*Credit Facility*” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default; *provided* that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by the Issuer or any Restricted Subsidiary) of non-cash consideration received by the Issuer or any of the Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*”

“*Designated Preferred Stock*” means Preferred Stock of the Issuer or a Parent Entity (other than Disqualified Stock) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and that is designated as “Designated Preferred Stock” pursuant to an Officer’s Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(iii) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments.*”

“*Disinterested Director*” means, with respect to any Affiliate Transaction, a member of the Board of Directors having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors shall be deemed not to have such a financial interest by reason of such member’s holding Capital Stock of the Issuer or any options, warrants or other rights in respect of such Capital Stock.

“*Disqualified Stock*” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise; or
- (2) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Senior Secured Notes or (b) the date on which there are no Senior Secured Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under “*Certain Covenants—Limitation on Restricted Payments*”; *provided further, however*, that if such Capital Stock is issued to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates (excluding the Permitted Holders (but not excluding any future, current or former employee, director, officer, contractor or consultant) or Immediate Family Members)), of the Issuer, any of its Subsidiaries, any Parent Entity or any other entity in which the Issuer or a Restricted Subsidiary has an Investment and is designated in good faith as an “affiliate” by the Board of Directors (or the compensation committee thereof) or any other plan for the benefit of current, former or future employees (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Issuer or its Subsidiaries or by any such plan to such employees (or their respective Controlled Investment Affiliates or Immediate Family Members), such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries in order to satisfy applicable statutory, contractual or regulatory obligations.

*“Domination Agreement”* means the domination and profit and loss pooling agreement (including any domination and profit and loss pooling agreements that replace, supersede, amend or modify the same) which may be entered into between the Target and the Issuer and/or German Holdco.

*“Domination Agreement Registration Date”* means the date on which the Domination Agreement is originally registered in the commercial register of the Target.

*“Equity Offering”* means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed to the equity of the Issuer or any of the Restricted Subsidiaries by any Parent Entity in any form other than Indebtedness, any Shareholder Contribution or Excluded Contributions or Excluded Amounts.

*“Escrowed Proceeds”* means the proceeds from the offering or incurrence of any debt securities or other Indebtedness paid into: (a) in the case of the proceeds from any Senior Term Loan, a Senior Term Loan Escrow Account; and (b) in any other case, an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term “Escrowed Proceeds” shall include any interest earned on the amounts held in escrow.

*“Euro”* or *“€”* means the single currency of participating member states of the economic and monetary union as contemplated in the Treaty on European Union.

*“Euroclear”* means Euroclear Bank SA/NV or any successor thereof.

*“European Government Obligations”* means any security denominated in Euro that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated “A-1” or higher by Moody’s or “A+” or higher by S&P or the equivalent rating category of another Nationally Recognized Statistical Rating Organization on the date of the Senior Secured Notes Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

*“Exchange Act”* means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

*“Excluded Contribution”* means Net Cash Proceeds or property or assets (other than Excluded Amounts) received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) or Subordinated Shareholder Funding of the Issuer (other than a Shareholder Contribution), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer.

*“Existing Target Debt Financing”* means an amount equal to the aggregate principal amount outstanding under any agreement documenting financial indebtedness of, or available for utilization by, the Target Group at any relevant date of determination prior to the Control Date.

*“fair market value”* wherever such term is used in this *“Description of the Senior Secured Notes”* or the Senior Secured Notes Indenture (except as otherwise specifically provided in this *“Description of the Senior Secured Notes”* or the Senior Secured Notes Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

*“Fitch”* means Fitch Ratings, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

*“Fixed Charge Coverage Ratio”* means, with respect to any Person on any determination date, the ratio of LTM EBITDA to the Fixed Charges of such Person for the most recent four consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements



are available (the “reference period”). In the event that the Issuer or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the reference period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “Fixed Charge Coverage Ratio Calculation Date”), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, deemed Incurrence, assumption, Guarantee, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period; *provided, however*, that the pro forma calculation shall not give effect to: (i) any Fixed Charges attributable to Indebtedness Incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under “*Certain Covenants—Limitation on Indebtedness*” (other than Fixed Charges attributable to Indebtedness Incurred pursuant to clauses (1)(c), (1)(d) and (5)(b) thereof), (ii) Fixed Charges attributable to Indebtedness Incurred pursuant to clause (4)(a) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or (iii) Fixed Charges attributable to any Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described under the second paragraph under “*Certain Covenants—Limitation on Indebtedness*” (other than Fixed Charges attributable to Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date using proceeds of Indebtedness Incurred pursuant to clauses (1)(c), (1)(d) and (5)(b) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”); *provided further, however*, that at any time prior to the Control Entry Date, in calculating the Fixed Charge Coverage Ratio, the portion of Fixed Charges attributable to Indebtedness Incurred to finance the purchase of Target Shares in an Acquisition (and excluding, for the avoidance of doubt, Existing Target Debt Financing and Refinancing Indebtedness in respect of Existing Target Debt Financing) shall be multiplied by a quotient equal to (x) one, divided by (y) the percentage of the Target Shares held (directly or indirectly) by the Issuer as of the date of determination, after giving pro forma effect to any increase in ownership of the Target Shares resulting from the transaction or transactions from which such determination results or which are contemplated in connection with any Reserved Indebtedness Amount.

For purposes of making the computation referred to above, any Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed operations that have been made by the Issuer or any of the Restricted Subsidiaries, during the reference period or subsequent to the reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in LTM EBITDA resulting therefrom) had occurred on the first day of the reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged or amalgamated with or into the Issuer or any of the Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed operation had occurred at the beginning of the reference period.

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculations shall be made in good faith by a responsible financial or chief accounting officer of the Issuer (and may include cost savings and synergies). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire reference period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the reference period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate.



“*Fixed Charges*” means, with respect to any Person for any period, the sum of:

- (1) Consolidated Interest Expense of such Person for such period;
- (2) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock of any Restricted Subsidiary of such Person during such period; and
- (3) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

For the avoidance of doubt, any payments made by the Issuer or any Restricted Subsidiary under any domination agreement and profit and loss transfer agreement (including the Domination Agreement) to minority shareholders shall constitute Fixed Charges.

“*GAAP*” means generally accepted accounting principles in the United States of America.

“*German Holdco*” means Nidda Healthcare GmbH.

“*German Takeover Code*” means the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

“*Guarantee*” means, any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

*provided, however*, that the term “*Guarantee*” will not include (x) endorsements for collection or deposit in the ordinary course of business or consistent with past practice and (y) standard contractual indemnities or product warranties provided in the ordinary course of business, and *provided further* that the amount of any Guarantee shall be deemed to be the lower of (i) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (ii) the maximum amount for which such guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Guarantee or, if such Guarantee is not an unconditional guarantee of the entire amount of the primary obligation and such maximum amount is not stated or determinable, the amount of such guaranteeing Person’s maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The term “*Guarantee*” used as a verb has a corresponding meaning.

“*Guarantor*” means any Restricted Subsidiary that Guarantees the Senior Secured Notes, until such Senior Secured Notes Guarantee is released in accordance with the terms of the Senior Secured Notes Indenture.

“*Hedging Obligations*” means, with respect to any Person, the obligations of such Person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contracts, currency swap agreement or similar agreement providing for the transfer or mitigation of interest rate, commodity price or currency risks either generally or under specific contingencies.

“*Holder*” means each Person in whose name the Senior Secured Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

“*IFRS*” means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or the Restricted Subsidiaries are, or may be, required to comply, as in effect on the Issue Date or, with respect to the covenant described under the caption “*Reports*,” as in effect from time to time. Except as otherwise set forth in the Senior Secured Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Secured Notes Indenture shall be computed in accordance with IFRS as in effect on the Issue Date. At any time after the Issue Date, the Issuer may elect to establish that IFRS shall mean IFRS as in effect on or prior to the date of such election; *provided* that any such election, once made, shall be irrevocable. At any time after the Issue Date, the Issuer may elect to apply GAAP accounting principles in lieu of IFRS and, upon any such election, references herein to IFRS shall thereafter be construed to

mean GAAP (except as otherwise provided in the Senior Secured Notes Indenture), including as to the ability of the Issuer to make an election pursuant to the previous sentence; *provided* that any such election, once made, shall be irrevocable; *provided, further*, that any calculation or determination in the Senior Secured Notes Indenture that require the application of IFRS for periods that include fiscal quarters ended prior to the Issuer's election to apply GAAP shall remain as previously calculated or determined in accordance with IFRS; *provided, further again*, that the Issuer may only make such election if it also elects to report any subsequent financial reports required to be made by the Issuer. The Issuer shall give notice of any such election made in accordance with this definition to the Trustee and the Holders. Notwithstanding any of the foregoing, the impact of IFRS 16 (*Leases*) and any successor standard thereto (or any equivalent measure under GAAP) shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Senior Secured Notes Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS (or, as applicable, GAAP) as of the Issue Date and any guarantee given by the Issuer or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS (or, as applicable, GAAP) as in effect on the Issue Date.

*"Immaterial Subsidiary"* means, at any date of determination, each Restricted Subsidiary that (i) has not guaranteed any other Indebtedness of the Issuer and (ii) has Total Assets of less than 5.0% of Total Assets, revenues of less than 5.0% of the consolidated revenues of the Issuer and the Restricted Subsidiaries and LTM EBITDA of less than 5.0% of LTM EBITDA of the Issuer and the Restricted Subsidiaries taken as a whole and, together with all other Immaterial Subsidiaries (as determined in accordance with IFRS), has Total Assets of less than 10.0% of Total Assets and revenues of less than 10.0% of total revenues of the Issuer and the Restricted Subsidiaries taken as a whole, in each case, measured at the end of the most recent four-quarter fiscal period for which internal financial statements are available and revenues on a pro forma basis giving effect to any acquisitions or dispositions of companies, division or lines of business since such balance sheet date or the start of such four quarter period, as applicable, and on or prior to the date of acquisition of such Subsidiary.

*"Immediate Family Members"* means, with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including adoptive relationships) and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

*"Incur"* means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, amalgamation, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder, subject to the definition of Reserved Indebtedness Amount and related provisions; *provided further, however*, that amounts drawn under any Senior Term Loan and deposited into a Senior Term Loan Escrow Account shall not be deemed to be Incurred until such proceeds are withdrawn from such Senior Term Loan Escrow Account for a purpose other than prepayment of such Senior Term Loan.

*"Indebtedness"* means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);

- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligation, including accrued expenses owed, to a trade creditor), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of the type referred to in clauses (1), (2), (3), (4), (5) and (9) of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the net payments under such agreement or arrangement giving rise to such obligation that would be payable by such Person at the termination of such agreement or arrangement),

with respect to clauses (1), (2), (4) and (5) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS.

The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (i) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, other than Guarantees or other assumptions of Indebtedness;
- (ii) Cash Management Services;
- (iii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date or any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;
- (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business or consistent with past practice;
- (v) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;
- (vi) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;
- (vii) obligations under or in respect of Qualified Securitization Financings or Receivables Facilities;
- (viii) Indebtedness of any Parent Entity appearing on the balance sheet of the Issuer solely by reason of push down accounting under IFRS;
- (ix) Capital Stock (other than Disqualified Stock of the Issuer and Preferred Stock of a Restricted Subsidiary);

- (x) amounts owed to: (A) dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under “*Merger and Consolidation*”; or (B) minority shareholders in connection with any domination and profit and loss transfer agreement (including the Domination Agreement);
- (xi) Subordinated Shareholder Funding;
- (xii) amounts drawn under any Senior Term Loan and deposited into an applicable Senior Term Loan Escrow Account prior to the date such proceeds are withdrawn therefrom to be used for a purpose other than prepayment of such Senior Term Loan;
- (xiii) any liability pursuant to or in connection with a declaration of joint and several liability as referred to in section 2:403 Dutch Civil Code (and any residual liability under such declaration, as referred to in section 2:404 (2) of the Dutch Civil Code); or
- (xiv) any joint and several liability or any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity (*fiscale eenheid*) for Dutch corporate income tax or value added tax purposes or any analogous arrangement in any other jurisdiction of which the Issuer or a Restricted Subsidiary is or becomes a member.

“*Independent Financial Advisor*” means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

“*Initial Investors*” means (a) individually or collectively, one or more investment funds, co-investment vehicles, limited partnerships and/or other similar vehicles or accounts in each case advised or managed by (i) Bain Capital Private Equity (Europe) LLP; (ii) Cinven Partners LLP; and/or (iii) Partners Group AG; (b) any of their successors, Affiliates or direct or indirect Subsidiaries (but excluding, in each case, any portfolio company which is an obligor (and any of its Subsidiaries) in respect of any third party financing provided to that portfolio company (or any of its Subsidiaries) in which the parties listed in clause (a) above or such Affiliates, Subsidiaries or investors hold an investment or interest in).

“*Initial Public Offering*” means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the “*IPO Entity*”) following which there is a public market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

“*Intercreditor Agreement*” means the Intercreditor Agreement dated August 17, 2017, by and among, *inter alios*, the Issuer and the Security Agent and to which the Trustee will accede, as amended from time to time.

“*Investment*” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of advances, loans or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business or consistent with past practice, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business or consistent with past practice will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of “*Certain Covenants—Limitation on Restricted Payments*” and “*—Designation of Restricted and Unrestricted Subsidiaries*”:

- (1) “*Investment*” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a re-designation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent “*Investment*” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer’s “*Investment*” in such Subsidiary at the time of such re-designation less (b) the portion (proportionate to the Issuer’s equity interest in such Subsidiary) of the fair market value of the net assets (as determined by the Issuer) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined by the Issuer.

“*Investment Grade Securities*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States of America or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by the European Union or a member state of the European Union, Switzerland, Japan, Australia or Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “A –” or higher from S&P or “A3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and
- (4) Investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

“*Investment Grade Status*” shall occur when the Senior Secured Notes receive two of the following:

- (1) a rating of “BBB –” or higher from S&P;
- (2) a rating of “Baa3” or higher from Moody’s; or
- (3) a rating of “BBB –” or higher from Fitch,

or the equivalent of such rating by such rating organization or, if no rating of S&P, Moody’s or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

“*IPO Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means September 29, 2017.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien, hypothecation or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof); *provided* that in no event shall an operating lease be deemed to constitute a Lien.

“*LTM EBITDA*” means Consolidated EBITDA of the Issuer measured for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case with such pro forma adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such four quarter period and as are consistent with the pro forma adjustments set forth in the definition of “*Fixed Charge Coverage Ratio*” (excluding, for the avoidance of doubt, the further proviso to the first paragraph of such definition).

“*Management Advances*” means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees, contractors or consultants (or their respective Controlled



Investment Affiliates or Immediate Family Members) of any Parent Entity, the Issuer or any Restricted Subsidiary, or to any management equity plan, stock option plan, any other management or employee benefit, bonus or incentive plan or any trust, partnership or other entity of, established for the benefit of, or the beneficial owner of which (directly or indirectly) is, any of the foregoing:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent Entity with the approval of the Board of Directors of the Issuer;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) not exceeding the greater of (i) €25.0 million and (ii) 5.0% of LTM EBITDA in the aggregate outstanding at the time of Incurrence.

*"Management Stockholders"* means the members of management of the Issuer (or any Parent Entity) or its Subsidiaries who are holders of Capital Stock of the Issuer or of any Parent Entity on the Issue Date or will become holders of such Capital Stock in connection with the Transactions.

*"Market Capitalization"* means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interest of the IPO Entity on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

*"Minority Shareholder"* means at any time following the Issue Date, any holder of Target Shares or Target Warrants who is not the Issuer or an Affiliate of the Issuer.

*"Moody's"* means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

*"Nationally Recognized Statistical Rating Organization"* means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Securities Act.

*"Net Available Cash"* from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid, reasonably estimated to be actually payable or accrued as a liability under IFRS (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition, including distributions for Related Taxes;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by applicable law be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer or any of its respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition;
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; and
- (5) any funded escrow established pursuant to the documents evidencing any such sale or disposition to secure any indemnification obligations or adjustments to the purchase price associated with any such Asset Disposition.

*“Net Cash Proceeds,”* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or reasonably estimated to be actually payable as a result of such issuance or sale (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credit or deductions and any tax sharing agreements, and including distributions for Related Taxes).

*“Non-Guarantor Debt Cap”* means an amount of (i) Indebtedness Incurred and/or Disqualified Stock or Preferred Stock issued pursuant to the first paragraph and clauses (1)(b), (1)(c), (1)(d), (11) and (13) of the second paragraph of the covenant described under *“Certain Covenants—Limitation on Indebtedness”* and (ii) Acquisition Debt Incurred pursuant to clause (v)(B) of the second paragraph of the covenant described under *“Certain Covenants—Limitation on Indebtedness,”* in each case by Restricted Subsidiaries that are not Guarantors, which shall not in aggregate exceed the greater of (x) €200.0 million and (y) 40.0% of LTM EBITDA at any time outstanding.

*“Obligations”* means any principal, interest (including Post-Petition Interest and fees accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or any Guarantor whether or not a claim for Post-Petition Interest or fees is allowed in such proceedings), penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and bankers’ acceptances), damages and other liabilities payable under the documentation governing any Indebtedness.

*“Offering Memorandum”* mean this offering memorandum, dated as of September 22, 2017, relating to the offering of Senior Secured Notes and the Senior Notes.

*“Officer”* means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Assistant Treasurer, any Managing Director, the Secretary or any Assistant Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of the Senior Secured Notes Indenture by the Board of Directors of such Person.

*“Officer’s Certificate”* means, with respect to any Person, a certificate signed by one Officer of such Person.

*“Opinion of Counsel”* means a written opinion from legal counsel that is reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

*“Parent Entity”* means any direct or indirect parent of the Issuer.

*“Parent Entity Expenses”* means:

- (1) costs (including all legal, accounting and other professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Secured Notes Indenture or any other agreement or instrument relating to the Senior Secured Notes, the Senior Secured Notes Guarantees or any other Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed or delivered with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its articles, charter, by-laws, partnership agreement or other organizational documents or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;
- (3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;
- (4) any (x) general corporate overhead expenses, including all legal, accounting and other professional fees and expenses and (y) other operational expenses of any Parent Entity related to the ownership or operation of the business of the Issuer or any of the Restricted Subsidiaries;

- (5) expenses Incurred by any Parent Entity in connection with (i) any offering, sale, conversion or exchange of Subordinated Shareholder Funding, Capital Stock or Indebtedness and (ii) any related compensation paid to officers, directors and employees of such Parent Entity; and
- (6) amounts to finance Investments that would otherwise be permitted to be made pursuant to the covenant described above under “*Certain Covenants—Limitation on Restricted Payments*” if made by the Issuer or a Restricted Subsidiary; *provided* that (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (B) such direct or indirect parent company shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Issuer or one of the Restricted Subsidiaries or (2) the merger, consolidation or amalgamation of the Person formed or acquired into the Issuer or one of the Restricted Subsidiaries in order to consummate such Investment, (C) such direct or indirect parent company and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Senior Secured Notes Indenture and such consideration or other payment is included as a Restricted Payment under the Senior Secured Notes Indenture, (D) any property received by the Issuer shall not increase amounts available for Restricted Payments pursuant to clause (c) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*” or be an Excluded Contribution or Excluded Amount and (E) such Investment shall be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to a provision of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*” or pursuant to the definition of “Permitted Investments.”

“*Pari Passu Indebtedness*” means Indebtedness (a) of the Issuer which ranks equally in right of payment to the Senior Secured Notes or (b) of any Guarantor which ranks equally in right of payment to the Senior Secured Notes Guarantee of such Guarantor.

“*Paying Agent*” means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Senior Secured Note on behalf of the Issuer.

“*Permitted Asset Swap*” means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents between the Issuer or any of the Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*.”

“*Permitted Collateral Liens*” means Liens on the Collateral:

- (a) that are described in one or more of clauses (3), (4), (5), (6), (7), (8), (15), (17), (18), (24), (26), (34) of the definition of “*Permitted Liens*” and Liens arising by operation of law that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;
- (b) to secure all obligations (including paid-in-kind interest) in respect of:
  - (i) the Senior Secured Notes (other than Additional Senior Secured Notes), including any Senior Secured Notes Guarantee;
  - (ii) Indebtedness described under clause (1)(a) and (1)(b) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”; *provided* that up to an amount of Indebtedness equal to the greater of (x) €400.0 million and (y) 80.0% of LTM EBITDA Incurred under any revolving credit facility may have super senior priority status in respect of the proceeds from the enforcement of the Collateral and certain distressed disposals of assets, not materially less favorable to the Holders than that provided for in accordance with clause 18 (New Debt Financings) of the Intercreditor Agreement as in effect on the Issue Date;
  - (iii) Indebtedness described under clause (1)(c) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”;
  - (iv) Indebtedness described under clause (2) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*,” to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

- (v) Indebtedness described under clause (5)(b) of the second paragraph of “*Certain Covenants—Limitation on Indebtedness*,” and that is Incurred by the Issuer or a Guarantor; *provided* that if such Liens secure Senior Secured Indebtedness, at the time of such acquisition or other transaction and after giving pro forma effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, the Consolidated Senior Secured Net Leverage Ratio of the Issuer would have been either (x) no greater than 5.00 to 1.00 or (y) no greater than it was immediately prior to giving effect to the relevant transaction;
- (vi) Indebtedness described under clause (6) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”; *provided* that obligations under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, foreign exchange contracts, currency swap agreement or similar agreement providing for the transfer or mitigation of interest rate or currency risks entered into with respect to any Indebtedness Incurred in compliance with the covenant described under “*Certain Covenants—Limitation on Indebtedness*” may have super senior priority status in respect of the proceeds from the enforcement of the Collateral and certain distressed disposals of assets, not materially less favorable to the Holders than that accorded to a relevant revolving credit facility (if benefitting from super senior priority status) as described under clause (ii) above pursuant to the Intercreditor Agreement as in effect on the Issue Date;
- (vii) Indebtedness described under clauses (4)(a), (4)(b), (4)(c), (5)(a), (7) (other than with respect to Capitalized Lease Obligations), (10), (13) or (19) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”;
- (viii) Indebtedness described under the first paragraph or clause (1)(d) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”; *provided* that with respect to liens securing Senior Secured Indebtedness, at the time of Incurrence and after giving pro forma effect thereto, the Consolidated Senior Secured Net Leverage Ratio would be no greater than 5.00 to 1.00; or
- (ix) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (viii); or
- (c) Incurred in the ordinary course of business of the Issuer or any of the Restricted Subsidiaries with respect to obligations that in total do not exceed the greater of (i) €25.0 million and (ii) 5.0% of LTM EBITDA at any time outstanding and that (x) are not Incurred in connection with the borrowing of money and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer’s or such Restricted Subsidiary’s business,

*provided*, that, in the case of clauses (b) and (c) of this definition of “*Permitted Collateral Liens*,” each of the secured parties to any such Indebtedness that exceeds an aggregate amount equal to the greater of (x) €50.0 million and (y) 10.0% of LTM EBITDA (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and *provided further* that for purposes of determining compliance with this definition, in the event that a Permitted Collateral Lien meets the criteria of more than one of the categories of Permitted Collateral Liens described in paragraphs (a) through (c) above, the Issuer will be permitted to classify such Permitted Collateral Lien on the date of its incurrence and reclassify such Permitted Collateral Lien at any time and in any manner that complies with this definition and *provided further* that Permitted Collateral Liens may not have super senior priority status in respect of the proceeds from the enforcement of the Collateral or a distressed disposal of assets, other than as permitted by clauses (ii) or (vi) above, save that nothing in this definition shall prevent lenders under any Credit Facilities from providing for any ordering of payments under the various tranches of such Credit Facilities.

“*Permitted Holdco Transactions*” means any merger (on a solvent basis) of a German Holdco with the Target, with German Holdco as the surviving entity, and/or any merger (on a solvent basis) of German Holdco with the Issuer with the Issuer as the surviving entity; *provided* that to the extent that any Security Interests granted over the shares in the capital of a Person or other assets of a Person subject to a Permitted Holdco Transaction constituted a Lien in favor of the Senior Secured Notes immediately prior to a Permitted Holdco Transaction, the direct holding company of the relevant surviving entity of the Permitted Holdco Transaction and/or such surviving entity shall, subject to the Agreed Security Principles, grant Security Interests over the shares in the capital and such other assets of such surviving entity on substantially equivalent terms to any Security Interests granted over the shares in the capital or other assets of such predecessor Person immediately prior to such Permitted Holdco Transaction.



“*Permitted Holders*” means, collectively, (i) the Initial Investors, (ii) any one or more Persons, together with such Persons’ Affiliates, whose beneficial ownership constitutes or results in a Change of Control Triggering Event in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture, (iii) the Management Stockholders, (iv) any Person who is acting solely as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Issuer, acting in such capacity, and (v) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, Persons referred to in subclauses (i) through (iv), collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any Parent Entity held by such group.

“*Permitted Investment*” means (in each case, by the Issuer or any of the Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) that will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person and as a result of such Investment such other Person is merged, amalgamated, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business or consistent with past practice;
- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business or consistent with past practice;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Issuer or any Restricted Subsidiary or in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or otherwise with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition;
- (9) Investments existing or pursuant to agreements or arrangements in effect on the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise not prohibited under the Senior Secured Notes Indenture;
- (10) Hedging Obligations, which transactions or obligations are Incurred in compliance with “*Certain Covenants—Limitation on Indebtedness*”;
- (11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “*Permitted Liens*” or made in connection with Liens permitted under the covenant described under “*Certain Covenants—Limitation on Liens*”;
- (12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;
- (13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (6), (7), (8), (9), (12) and (14) of that paragraph);



- (14) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business or consistent with past practices, and in accordance with the Senior Secured Notes Indenture;
- (15) any (a) Guarantees of Indebtedness not prohibited by the covenant described under “*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business, and (b) performance guarantees with respect to obligations that are not prohibited by the Senior Secured Notes Indenture;
- (16) Investments consisting of earnest money deposits required in connection with a purchase agreement, or letter of intent, or other acquisitions to the extent not otherwise prohibited by the Senior Secured Notes Indenture;
- (17) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged or amalgamated into the Issuer or merged or amalgamated into or consolidated with a Restricted Subsidiary after the Issue Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;
- (18) Investments consisting of licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons;
- (19) contributions to a “rabbi” trust for the benefit of employees or other grantor trust subject to claims of creditors in the case of a bankruptcy of the Issuer;
- (20) Investments in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of (a) €150.0 million and (b) 30.0% of LTM EBITDA at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled “*Certain Covenants—Limitation on Restricted Payments*” of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided, however*, that if any Investment pursuant to this clause is made in any Person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such Person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant to this clause for so long as such Person continues to be the Issuer or a Restricted Subsidiary;
- (21) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (21) that are at that time outstanding, not to exceed the greater of (a) €175.0 million and (b) 35.0% of LTM EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled “*Certain Covenants—Limitation on Restricted Payments*” of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided, however*, that if any Investment pursuant to this clause is made in any Person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such Person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant for so long as such Person continues to be the Issuer or a Restricted Subsidiary;
- (22) any Investment in a Similar Business having an aggregate fair market value, taken together with all other Investments made pursuant to this clause that are at that time outstanding, not to exceed the greater of (a) €125.0 million and (b) 25.0% of LTM EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns

of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled “*Certain Covenants—Limitation on Restricted Payments*” of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided, however*, that if any Investment pursuant to this clause is made in any Person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such Person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant to this clause for so long as such Person continues to be the Issuer or a Restricted Subsidiary;

- (23) Investments (a) arising in connection with a Qualified Securitization Financing or Receivables Facility and (b) constituting distributions or payments of Securitization Fees and purchases of Securitization Assets or Receivables Assets in connection with a Qualified Securitization Financing or Receivables Facility;
- (24) Investments in connection with the Transactions;
- (25) Investments (including repurchases) in Indebtedness of the Issuer and the Restricted Subsidiaries;
- (26) Investments by an Unrestricted Subsidiary entered into prior to the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described under “*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*”;
- (27) guaranty and indemnification obligations arising in connection with surety bonds issued in the ordinary course of business;
- (28) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business or consistent with past practice or made in the ordinary course of business or consistent with past practice in connection with obtaining, maintaining or renewing client contacts and loans or advances made to distributors in the ordinary course of business;
- (29) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business or consistent with past practice;
- (30) Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection of deposit and Article 4 customary trade arrangements with customers consistent with past practices; and
- (31) transactions entered into in order to consummate a Permitted Tax Restructuring.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness and other Obligations of any Restricted Subsidiary that is not a Guarantor;
- (2) pledges, deposits or Liens under workmen’s compensation laws, old-age-part-time arrangements, payroll taxes, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure the performance of bids, trade contracts, government contracts and leases, statutory obligations, surety, stay, indemnity, judgment, customs, appeal or performance bonds, guarantees of government contracts, return-of-money bonds, bankers’ acceptance facilities (or other similar bonds, instruments or obligations), obligations in respect of letters of credit, bank guarantees or similar instruments that have been posted to support the same, or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business; or consistent with past practice;
- (3) Liens with respect to outstanding motor vehicle fines and Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s, repairmen’s, construction contractors’ or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

- (4) Liens for Taxes, assessments or governmental charges which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS (or other applicable accounting principles) have been made in respect thereof;
- (5) encumbrances, charges, ground leases, easements (including reciprocal easement agreements), survey exceptions, restrictions, encroachments, protrusions, by-law, regulation, zoning restrictions or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and the Restricted Subsidiaries or to the ownership of their properties, including servicing agreements, development agreements, site plan agreements, subdivision agreements, facilities sharing agreements, cost sharing agreements and other agreements, which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and the Restricted Subsidiaries;
- (6) Liens (a) on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations or Cash Management Services permitted under the Senior Secured Notes Indenture; (b) that are statutory, common law or contractual rights of set-off (including, for the avoidance of doubt, Liens arising under the general terms and conditions of banks or saving banks (*Allgemeine Geschäftsbedingungen der Banken und Sparkassen*)) or, in the case of clause (i) or (ii) below, other bankers' Liens (i) relating to treasury, depository and Cash Management Services or any automated clearing house transfers of funds in the ordinary course of business and not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts to permit satisfaction of overdraft or similar obligations Incurred in the ordinary course of business of the Issuer or any Subsidiary or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any Restricted Subsidiary in the ordinary course of business; (c) on cash accounts securing Indebtedness and other Obligations permitted to be Incurred under clauses (8)(d) or (8)(e) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" with financial institutions; (d) encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts Incurred in the ordinary course of business, consistent with past practice and not for speculative purposes; (e) of a collection bank arising under Section 4-210 of the UCC on items in the course of collection; (f) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off) arising in the ordinary course of business in connection with the maintenance of such accounts and/or (g) arising under customary general terms of the account bank in relation to any bank account maintained with such bank and attaching only to such account and the products and proceeds thereof, which Liens, in any event, do not secure any Indebtedness;
- (7) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (8) Liens securing or otherwise arising out of judgments, decrees, attachments, orders or awards not giving rise to an Event of Default so long as (a) any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated, (b) the period within which such proceedings may be initiated has not expired or (c) no more than 60 days have passed after (i) such judgment, decree, order or award has become final or (ii) such period within which such proceedings may be initiated has expired;
- (9) Liens (i) on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations, or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing Indebtedness or other Obligations Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or consistent with past practice; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Senior Secured Notes Indenture and (b) any such Liens may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property and (ii) any interest or title of a lessor under any Capitalized Lease Obligations or operating lease;

- (10) Liens perfected or evidenced by UCC financing statement filings, including precautionary UCC financing statements (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;
- (11) (a) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date, (other than Liens securing the Senior Facilities);
- (12) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, amalgamation, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (13) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other Obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;
- (14) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that were previously so secured, and permitted to be secured under the Senior Secured Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness or other Obligations being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (15) Liens constituting (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (16) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (17) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (18) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (19) Liens securing Indebtedness and other Obligations under clauses (11) or (19) (provided that, in the case of clause (11), such Liens cover only the assets of such Subsidiary) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”;
- (20) Permitted Collateral Liens;
- (21) Liens (a) on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary and (b) then existing with respect to assets of an Unrestricted Subsidiary on the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described under “*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*”;
- (22) any security granted over the marketable securities portfolio described in clause (8) of the definition of “Cash Equivalents” in connection with the disposal thereof to a third party;
- (23) Liens on (a) goods the purchase price of which is financed by a documentary letter of credit issued for the account of the Issuer or any Restricted Subsidiary or Liens on bills of lading, drafts or other

documents of title arising by operation of law or pursuant to the standard terms of agreements relating to letters of credit, bank guarantees and other similar instruments and (b) specific items of inventory of other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

- (24) Liens on equipment of the Issuer or any Restricted Subsidiary and located on the premises of any client or supplier in the ordinary course of business;
- (25) Liens on assets or securities deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets or securities if such sale is otherwise permitted by the Senior Secured Notes Indenture;
- (26) Liens arising by operation of law or contract on insurance policies and the proceeds thereof to secure premiums thereunder, and Liens, pledges and deposits in the ordinary course of business securing liability for premiums or reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefits of) insurance carriers;
- (27) Liens solely on any cash earnest money deposits made in connection with any letter of intent or purchase agreement permitted under the Senior Secured Notes Indenture;
- (28) Liens (a) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Permitted Investments to be applied against the purchase price for such Investment, and (b) consisting of an agreement to sell any property in an asset sale permitted under the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," in each case, solely to the extent such Investment or asset sale, as the case may be, would have been permitted on the date of the creation of such Lien;
- (29) Liens securing Indebtedness and other Obligations in an aggregate principal amount not to exceed the greater of (a) €125.0 million and (b) 25.0% of LTM EBITDA at the time Incurred;
- (30) Liens deemed to exist in connection with Investments in repurchase agreements permitted by the covenant described under "*Certain Covenants—Limitation on Indebtedness*" provided that such Liens do not extend to any assets other than those that are the subject of such repurchase agreement;
- (31) Liens arising in connection with a Qualified Securitization Financing or a Receivables Facility;
- (32) Settlement Liens;
- (33) rights of recapture of unused real property in favor of the seller of such property set forth in customary purchase agreements and related arrangements with any government, statutory or regulatory authority;
- (34) the rights reserved to or vested in any Person or government, statutory or regulatory authority by the terms of any lease, license, franchise, grant or permit held by the Issuer or any Restricted Subsidiary or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;
- (35) restrictive covenants affecting the use to which real property may be put;
- (36) Liens or covenants restricting or prohibiting access to or from lands abutting on controlled access highways or covenants affecting the use to which lands may be put; *provided* that such Liens or covenants do not interfere with the ordinary conduct of the business of the Issuer or any Restricted Subsidiary;
- (37) Liens arising in connection with any Permitted Tax Restructuring;
- (38) Liens required to be granted under mandatory law in favor of creditors as a consequence of a merger or conversion permitted under the Senior Secured Notes Indenture due to §§ 22, 204 German Transformation Act (*Umwandlungsgesetz—UmwG*);
- (39) Liens on Escrowed Proceeds or Liens for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities are held in an escrow account or similar arrangement; and



- (40) Liens arising in connection with any joint and several liability or any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity (*fiscale eenheid*) for Dutch corporate income tax or value added tax purposes or any analogous arrangement in any other jurisdiction of which the Issuer or a Restricted Subsidiary is or becomes a member.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Senior Secured Notes Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

*“Permitted Reorganization”* means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of the Restricted Subsidiaries (a *“Reorganization”*) that is made on a solvent basis; *provided* that:

- (a) any payments or assets distributed in connection with such Reorganization remain within the Issuer and the Restricted Subsidiaries; and
- (b) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral,

*provided further* that no Permitted Reorganization may override the provisions of the covenant described under *“Merger and Consolidation.”*

*“Permitted Tax Distribution”* means:

- (a) if and for so long as the Issuer is a member of a fiscal unity (whether resulting from a domination and profit or loss pooling agreement or otherwise) with any Parent Entity, any dividends or other distributions, intercompany loans or other intercompany balances to fund any income Taxes for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis calculated as if the Issuer and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries; and
- (b) for any taxable year (or portion thereof) ending after the Issue Date for which the Issuer is treated as a disregarded entity, partnership, or other flow-through entity for federal, state, provincial, territorial, and/or local income Tax purposes, the payment of dividends or other distributions to the Issuer’s direct owner(s) to fund the income Tax liability of such owner(s) (or, if a direct owner is a pass-through entity, of the indirect owner(s)) for such taxable year (or portion thereof) attributable to the operations and activities of the Issuer and its direct and indirect Subsidiaries,

in an aggregate amount not to exceed the product of (x) the highest combined marginal federal and applicable state, provincial, territorial, and/or local statutory income Tax rate (after taking into account the deductibility of U.S. state and local income Tax for U.S. federal income Tax purposes) and (y) the taxable income of the Issuer for such taxable year (or portion thereof).

*“Permitted Tax Restructuring”* means any reorganizations and other activities related to tax planning and tax reorganization entered into prior to, on or after the date hereof so long as such Permitted Tax Restructuring is not materially adverse to the Holders (as determined by the Issuer in good faith).

*“Person”* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

*“Post-Petition Interest”* means any interest or entitlement to fees or expenses or other charges that accrue after the commencement of any bankruptcy or insolvency proceeding, whether or not allowed or allowable as a claim in any such bankruptcy or insolvency proceeding.

*“Preferred Stock,”* as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

*“Public Debt”* means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the Securities Act and/or (ii) a private placement to institutional and other investors, in each case, that are not Affiliates of the Issuer, in accordance with Rule 144A and/or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

*“Public Offering”* means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

*“Purchase Money Obligations”* means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

*“Qualified Securitization Financing”* means any Securitization Facility that meets the following conditions: (i) the Board of Directors shall have determined in good faith that such Qualified Securitization Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Restricted Subsidiaries, (ii) all sales of Securitization Assets and related assets by the Issuer or any Restricted Subsidiary to the Securitization Subsidiary or any other Person are made for fair consideration (as determined in good faith by the Issuer) and (iii) the financing terms, covenants, termination events and other provisions thereof shall be fair and reasonable terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

*“Receivables Assets”* means (a) any accounts receivable owed to the Issuer or a Restricted Subsidiary subject to a Receivables Facility and the proceeds thereof and (b) all collateral securing such accounts receivable, all contracts and contract rights, guarantees or other obligations in respect of such accounts receivable, all records with respect to such accounts receivable and any other assets customarily transferred together with accounts receivable in connection with a non-recourse accounts receivable factoring arrangement and which are sold, conveyed, assigned or otherwise transferred or pledged by the Issuer or such Restricted Subsidiary (as applicable) in a transaction or series of transactions in connection with a Receivables Facility.

*“Receivables Facility”* means an arrangement between the Issuer or a Restricted Subsidiary and a counterparty pursuant to which (a) the Issuer or such Restricted Subsidiary, as applicable, sells (directly or indirectly) accounts receivable owing by customers, together with Receivables Assets related thereto, (b) the obligations of the Issuer or such Restricted Subsidiary, as applicable, thereunder are non-recourse (except for Securitization Repurchase Obligations) to the Issuer and such Restricted Subsidiary and (c) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings, and shall include any guaranty in respect of such arrangements.

*“Refinance”* means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms *“refinances,” “refinanced”* and *“refinancing”* as used for any purpose in the Senior Secured Notes Indenture shall have a correlative meaning.

*“Refinancing Indebtedness”* means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Issue Date or Incurred in compliance with the Senior Secured Notes Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) (a) such Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded or refinanced; and (b) to the extent such Refinancing Indebtedness refinances Subordinated Indebtedness, Disqualified Stock or Preferred Stock, such Refinancing Indebtedness is Subordinated Indebtedness, Disqualified Stock or Preferred Stock, respectively, and, in the case of Subordinated Indebtedness, is subordinated to the Senior Secured Notes and/or the Senior Secured Notes Guarantees (as

applicable) on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(2) Refinancing Indebtedness shall not include:

- (i) Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Guarantor; or
  - (ii) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary; and
- (3) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including premiums, accrued and unpaid interest and defeasance costs) under the Indebtedness being Refinanced.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

“*Related Fund*” means in relation to a fund (the first fund), a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

“*Related Taxes*” means any Taxes, including sales, use, transfer, rental, *ad valorem*, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes and other fees and expenses (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* that such Taxes are in fact paid) by any Parent Entity by virtue of its:

- (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer’s Subsidiaries) or otherwise maintain its existence or good standing under applicable law;
- (b) being a holding company parent, directly or indirectly, of the Issuer or any Subsidiaries of the Issuer;
- (c) issuing or holding Subordinated Shareholder Funding;
- (c) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Subsidiaries of the Issuer; or
- (d) having made any (i) payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to “*Certain Covenants—Limitation on Restricted Payments*” or (ii) Permitted Tax Distribution.

“*Reserved Indebtedness Amount*” has the meaning set forth in the covenant described under “*Certain Covenants—Limitation on Indebtedness*.”

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“*Revolving Credit Facility*” means the €400.0 million (equivalent) revolving credit facility under the Senior Facilities Agreement.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Sale and Leaseback Transaction*” means any arrangement providing for the leasing by the Issuer or any of the Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

“*SEC*” means the Securities and Exchange Commission or any successor thereto.

“*Securities Act*” means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Securitization Asset*” means (a) any accounts receivable, mortgage receivables, loan receivables, royalty, patent or other revenue streams and other rights to payment or related assets and the proceeds thereof and (b) all collateral securing such receivable or asset, all contracts and contract rights, guarantees or other obligations in respect of such receivable or asset, lockbox accounts and records with respect to such account or asset and any other assets customarily transferred (or in respect of which security interests are customarily granted) together with accounts or assets in connection with a securitization, factoring or receivable sale transaction.

“*Securitization Facility*” means any of one or more securitization, financing, factoring or sales transactions, as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, pursuant to which the Issuer or any of the Restricted Subsidiaries sells, transfers, pledges or otherwise conveys any Securitization Assets (whether now existing or arising in the future) to a Securitization Subsidiary or any other Person.

“*Securitization Fees*” means distributions or payments made directly or by means of discounts with respect to any Securitization Asset or participation interest therein issued or sold in connection with, and other fees and expenses (including reasonable fees and expenses of legal counsel) paid in connection with, any Qualified Securitization Financing or Receivables Facility.

“*Securitization Repurchase Obligation*” means any obligation of a seller of Securitization Assets or Receivables Assets in a Qualified Securitization Financing or a Receivables Facility to repurchase or otherwise make payments with respect to Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“*Securitization Subsidiary*” means any Subsidiary of the Issuer in each case formed for the purpose of and that solely engages in one or more Qualified Securitization Financings and other activities reasonably related thereto or another Person formed for this purpose.

“*Senior Facilities*” means the Senior Term Loans and the Revolving Credit Facility.

“*Senior Facilities Agreement*” means the senior facilities agreement entered into on August 17, 2017, by and among the Issuer, the other borrowers party thereto, the guarantors from time to time party thereto, Barclays Bank PLC, as agent and U.S. Bank Trustees Limited as security agent, and each lender from time to time party thereto, together with the related documents thereto (including the revolving loans thereunder, any letters of credit and reimbursement obligations related thereto, any Guarantees and security documents), as amended, extended, renewed, restated, refunded, replaced, refinanced, supplemented, modified or otherwise changed (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

“*Senior Notes*” means the 5.00% Senior Notes due 2025 issued by the Company on the Issue Date (and any additional Senior Notes issued thereafter).

“*Senior Notes Guarantee*” means the joint and several guarantee of the obligations under the Senior Notes and the Senior Notes Indenture on a senior subordinated basis by the Issuer and each Guarantor.

“*Senior Notes Indenture*” means the indenture dated as of the Issue Date, between, *inter alios*, the Company, the guarantors of the Senior Notes, the trustee in respect of the Senior Notes and the security agent in respect of the Senior Notes.

“*Senior Secured Bridge Facility*” means the €485.0 million senior secured bridge facility made available under a bridge facility agreement dated as of August 17, 2017, among, *inter alios*, the Issuer and the lenders as defined therein.

“*Senior Secured Indebtedness*” means Indebtedness of the type referred to in the definition of “Consolidated Total Indebtedness” that (a) is secured by a first-priority Lien on the Collateral and not contractually subordinated to obligations under the Senior Secured Notes or the Senior Secured Notes Guarantees as of such date or (b) is Senior Secured Target Indebtedness, and that, in each case, (x) is Incurred under the first paragraph described under “*Certain Covenants—Limitation on Indebtedness*” or clauses (1)(a), (1)(b), (1)(c), (4), (5), (7), (10), (11), (13) or (19) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*,” (y) is a Guarantee of any Indebtedness

set forth in clause (x) that has been Incurred by the Issuer or a Restricted Subsidiary where such Guarantee is not contractually subordinated to the obligations under the Senior Secured Notes or the Senior Secured Notes Guarantees, or (z) is Refinancing Indebtedness in respect thereof, in all cases without double-counting.

*“Senior Secured Notes Documents”* means the Senior Secured Notes (including Additional Senior Secured Notes), the Senior Secured Notes Indenture (including the Senior Secured Notes Guarantees), the Senior Secured Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

*“Senior Secured Security Documents”* means all security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Secured Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the Security Interests in the Collateral as contemplated by the Senior Secured Notes Indenture.

*“Senior Secured Target Indebtedness”* means Indebtedness Incurred by the Target pursuant to:

- (1) the €350.0 million 2.25% fixed rate notes of the Target due June 5, 2018;
- (2) the €300.0 million 1.75% fixed rate notes of the Target due April 8, 2022;
- (3) the fixed and floating rate Schuldschein issued by the Target prior to the Issue Date in an aggregate principal amount of €665.0 million;
- (4) the fixed rate loan entered into between the Target as borrower and Erste Group Bank AG as lender in an aggregate principal amount of €25.0 million due November 30, 2018; and
- (5) the floating rate loan entered into between the Target as borrower and Kfz IPEX-Bank GmbH as lender in an aggregate principal amount of €40.0 million due October 10, 2017.

*“Senior Term Loan”* means a loan under a term loan facility made under the Senior Facilities Agreement or the principal amount outstanding of such loan.

*“Senior Term Loan Escrow Account”* means any bank account held by the Issuer or the Target into which the proceeds of any Senior Term Loan are deposited for the purposes permitted under the Senior Facilities Agreement, which is designated as an “Acquisition Escrow Account” or a “Refinancing Escrow Account,” as the case may be, by the Issuer, as the same may be re-designated, substituted or replaced from time to time.

*“Senior Unsecured Bridge Facility”* means the €340.0 million senior unsecured bridge facility made available under a bridge facility agreement dated as of August 17, 2017, among, *inter alios*, the Company and the lenders as defined therein.

*“Settlement”* means the transfer of cash or other property with respect to any credit or debit card charge, check or other instrument, electronic funds transfer, or other type of paper-based or electronic payment, transfer, or charge transaction for which a Person acts as a processor, remitter, funds recipient or funds transmitter in the ordinary course of its business.

*“Settlement Asset”* means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a Person in consideration for a Settlement made or arranged, or to be made or arranged, by such Person or an Affiliate of such Person.

*“Settlement Indebtedness”* means any payment or reimbursement obligation in respect of a Settlement Payment.

*“Settlement Lien”* means any Lien relating to any Settlement or Settlement Indebtedness (and may include, for the avoidance of doubt, the grant of a Lien in or other assignment of a Settlement Asset in consideration of a Settlement Payment, Liens securing intraday and overnight overdraft and automated clearing house exposure, and similar Liens).

*“Settlement Payment”* means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

*“Settlement Receivable”* means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a Person in consideration for a Settlement made or arranged, or to be made or arranged, by such Person.



“*Shareholder Contribution*” means shareholder funding in connection with an Acquisition (whether on or about the Completion Date or thereafter) to be provided by the Initial Investors to the Issuer through wholly owned or majority-owned intermediate holding companies by way of an equity contribution and subordinated shareholder debt; *provided* that the aggregate amount of such shareholder funding counted as a Shareholder Contribution shall not exceed as of any date of determination the minimum amount of shareholder funding required on the Completion Date under the Senior Facilities Agreement plus the minimum amount of shareholder funding required pursuant to the Senior Facilities Agreement after the Completion Date in connection with any Post-Closing Equity Contribution (as defined in the Senior Facilities Agreement from time to time) required under the Senior Facilities Agreement (if any).

“*Significant Subsidiary*” means any Restricted Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the Issue Date.

“*Similar Business*” means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“*Squeeze-Out*” means the squeeze-out procedure to acquire the Target Shares held by minority shareholders of the Target pursuant to either Section 327a *et seqq.* German Stock Corporation Act (*Aktiengesetz—AktG*), Section 39a of the German Takeover Code or Section 62 paragraph 5 German Reorganization Act (*Umwandlungsgesetz—UmwG*).

“*Standard Securitization Undertakings*” means representations, warranties, covenants, guarantees and indemnities entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Securitization Facility, including those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking or, in the case of a Receivables Facility, a non-credit related recourse accounts receivable factoring arrangement.

“*Stated Maturity*” means, with respect to any Indebtedness, the date specified in the instrument governing such Indebtedness as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Senior Secured Notes or the Senior Secured Notes Guarantees pursuant to a written agreement.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the date that is six months after the Stated Maturity of the Senior Secured Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six months after the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to the date that is six months after the Stated Maturity of the Senior Secured Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the date that is six months after the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash

payment, in each case, prior to the date that is six months after the Stated Maturity of the Senior Secured Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six months after the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries;
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Secured Notes and any Senior Secured Notes Guarantee pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the “Subordinated Liabilities” (as defined therein);
- (6) is not Guaranteed by any Subsidiary of the Issuer;
- (7) contains restrictions on transfer to a Person who is not a Parent Entity, any Affiliate of any Parent Entity, any holder of Capital Stock of a Parent Entity or any Affiliate of a Parent Entity or any Permitted Holder or any Affiliate thereof; *provided* that any transfer of Subordinated Shareholder Funding to any of the foregoing persons shall not be deemed to be materially adverse to the interests of the Holders; and
- (8) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Senior Secured Notes or any Senior Secured Notes Guarantee or compliance by the Issuer or any Guarantor with its obligations under the Senior Secured Notes, any Senior Secured Notes Guarantee or the Senior Secured Notes Indenture.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Target*” means STADA Arzneimittel Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, under HRB 71290.

“*Target Shares*” means the stock representing the issued capital of the Target listed on the Frankfurt Stock Exchange, but excluding any treasury shares.

“*Target Warrants*” means any warrant, option or other similar instrument entitling the holder thereof to purchase Target Shares.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

“*Temporary Cash Investments*” means any of the following:

- (1) any Investment in:
  - (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) the United Kingdom, (iv) Japan, Australia, Switzerland or Norway, (v) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (vi) any agency or instrumentality of any such country or member state; or
  - (b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P or “A-1” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any lender under the Senior Facilities; or
  - (b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of €250.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least “A” by S&P or “A-2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of the Restricted Subsidiaries), with a rating at the time as of which any Investment therein is made of “P-2” (or higher) according to Moody’s or “A-2” (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state, the United Kingdom or Japan, Australia, Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least “BBB–” by S&P or “Baa3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (6) bills of exchange issued in the United States, Canada, a member state of the European Union, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least “A” by S&P or “A2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) Investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

*“Total Assets”* means, as of any date, the total consolidated assets of the Issuer and the Restricted Subsidiaries on a consolidated basis, as shown on the most recent consolidated balance sheet of the Issuer and the Restricted Subsidiaries prepared in accordance with IFRS, determined on a pro forma basis in a manner consistent with the pro forma basis contained in the definition of Fixed Charge Coverage Ratio (excluding, for the avoidance of doubt, the further proviso to the first paragraph of such definition).

*“Transaction Expenses”* means any fees or expenses Incurred or paid by the Issuer or any Restricted Subsidiary in connection with the Transactions, including any fees, costs and expenses associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

*“Transactions”* shall have the meaning assigned to such term in this Offering Memorandum.

*“Trust Indenture Act”* means the Trust Indenture Act of 1939, as amended.

*“UCC”* means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided, however*, that at any time, if by reason of mandatory provisions of law, any or all of the perfection or priority of a collateral agent’s security interest in any item or portion of the Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term *“UCC”* shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions relating to such provisions.

*“Unrestricted Subsidiary”* means:

- (1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock of the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment, if any, of the Issuer in such Subsidiary complies with *“Certain Covenants—Limitation on Restricted Payments.”*

*“U.S. Bankruptcy Code”* means Title 11 of the United States Code, as amended.

*“Voting Stock”* of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

*“Weighted Average Life to Maturity”* means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

- (1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment; by
- (2) the sum of all such payments.

*“Wholly Owned Subsidiary”* means a Restricted Subsidiary, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.



## DESCRIPTION OF THE SENIOR NOTES

The following is a description of the €340.0 million in aggregate principal amount of 5.00% Senior Notes due 2025 (the “*Senior Notes*”). The Senior Notes will be issued by Nidda BondCo GmbH (the “*Company*”). You will find definitions of certain capitalized terms used in this “*Description of the Senior Notes*” under the heading “*Certain Definitions*” below. For purposes of this “*Description of the Senior Notes*,” references to the “*Company*,” “*we*,” “*our*,” and “*us*” refer only to Nidda BondCo GmbH and not to any of its Subsidiaries.

The Company will issue the Senior Notes under an indenture to be dated on or about September 29, 2017 (the “*Senior Notes Indenture*”), between, *inter alios*, the Company, as issuer, Nidda Healthcare Holding AG (the “*Senior Secured Notes Issuer*”), as Guarantor, Nidda Healthcare GmbH (“*German Holdco*” and together with the Senior Secured Notes Issuer, the “*Initial Guarantors*”), as guarantor, U.S. Bank Trustees Limited, as trustee (in such capacity, the “*Trustee*”) and as security agent (in such capacity, the “*Security Agent*”), and Elavon Financial Services DAC, UK Branch, as paying agent, in a private transaction that is not subject to the registration requirements of the Securities Act. The Senior Notes Indenture will not be qualified under, incorporate by reference or include, or be subject to, any of the provisions of the Trust Indenture Act, including Section 316(b) thereof. Consequently, the Holders will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including among other things, those requiring the Trustee to resign in the event of certain conflicts of interest and to inform Holders of certain relationships between it and us.

The proceeds from the offering of the Senior Notes sold on the Issue Date will be used by the Company together with cash on hand to repay amounts outstanding under the Senior Unsecured Bridge Facility and to pay fees and expenses incurred in connection with the offering and issuance of the Senior Secured Notes and the Senior Notes. The proceeds from the Bridge Facilities, together with proceeds from the Senior Term Loan, were drawn on August 22, 2017, to finance the acquisition by Bain Capital and Cinven (together with certain co-investors, including Partners Group AG) of approximately 64% of the Target’s issued and outstanding common shares in a voluntary public tender offer (*Freiwilliges Übernahmeangebot*) (the “*Offer*”) by the Issuer for the Target Shares, and to pay certain fees and expenses related to the Transactions. See “*Summary—The Transactions*.”

Upon the initial issuance of the Senior Notes on the Issue Date, the Senior Notes will only be obligations of the Issuer and the Initial Guarantors and will not be guaranteed by the Target or any of its Subsidiaries. Subject to the Agreed Security Principles and the occurrence of the Control Date, the Target and certain of its Subsidiaries organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland (the “*Post-Control Date Guarantors*”) are expected to enter into one or more supplemental indentures to become a party to the Senior Notes Indenture and guarantee the Senior Notes on a senior subordinated basis on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Facilities and (b) 120 days from the Control Date.

Prior to the Control Date, the Company may not be able to cause the Target Group to comply with the covenants described in this “*Description of the Senior Notes*” or other agreements under the Senior Notes Indenture due to statutory limitations on the influence of shareholders on a publicly listed German company such as the Target. As such, we cannot assure you that prior to the Control Date, the Target and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Senior Notes Indenture had those covenants or other agreements been applicable to such entities as of the Issue Date, and any such non-compliance will not constitute a default or Event of Default under the Senior Notes Indenture. See “*Certain Covenants—Acknowledgment of Control Limitations*.”

The Senior Notes Indenture will be unlimited in aggregate principal amount, of which €340.0 million in aggregate principal amount of Senior Notes will be issued in this offering. We may, subject to applicable law and the terms of the Senior Notes Indenture, issue an unlimited principal amount of additional Senior Notes having identical terms and conditions (other than price) as the Senior Notes (any such additional Senior Notes actually issued, the “*Additional Senior Notes*”); *provided* that if any series of Additional Senior Notes is not fungible for U.S. federal income tax purposes with the Senior Notes, such Additional Senior Notes will be issued with a separate ISIN code or common code from the Senior Notes originally issued. We will only be permitted to issue Additional Senior Notes in compliance with the covenants contained in the Senior Notes Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens. See “*Certain Covenants—Limitation on Indebtedness*” and “*Certain Covenants—Limitation on Liens*.” Except as otherwise provided for in the Senior Notes Indenture, the Senior Notes, and if issued, Additional Senior Notes, will be treated as a single class for all purposes under the Senior



Notes Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, in this “*Description of the Senior Notes*,” references to the “Senior Notes” include the Senior Notes and any Additional Senior Notes that are actually issued under the Senior Notes Indenture.

The Senior Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below) and in the case of certain conflict between the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement, the terms of the Intercreditor Agreement will prevail. The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, the procedures for undertaking enforcement action, the subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” for a description of certain terms of the Intercreditor Agreement.

This “*Description of the Senior Notes*” is intended to be an overview of the material provisions of the Senior Notes and the Senior Notes Indenture and refers to the Intercreditor Agreement and the Senior Notes Security Documents. Since this description of the terms of the Senior Notes is only a summary, you should refer to the Senior Notes, the Senior Notes Indenture, the Intercreditor Agreement and the Senior Notes Security Documents for complete descriptions of the obligations of the Company and your rights. Copies of such documents will be available from us upon request on and after the Issue Date.

The registered Holder of a Senior Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Notes Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Senior Notes have not been, and will not be, registered under the Securities Act and will be subject to certain transfer restrictions.

## **General**

### ***The Senior Notes***

The Senior Notes will:

- be general senior obligations of the Company, secured as set forth under “*Security*”;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Company that is not subordinated in right of payment to the Senior Notes;
- rank senior in right of payment to any existing and future indebtedness of the Company that is expressly subordinated in right of payment to the Senior Notes;
- be effectively subordinated to any existing or future indebtedness or obligation of the Company and its Subsidiaries that is secured by property or assets that do not secure the Senior Notes (including obligations under the Senior Facilities Agreement, the Senior Secured Notes and certain hedging obligations), to the extent of the value of the property and assets securing such obligation or indebtedness;
- be structurally subordinated to any existing or future indebtedness of the Subsidiaries of the Company that are not Guarantors, including obligations to their trade creditors;
- be (i) guaranteed by the Initial Guarantors on a senior subordinated basis on the Issue Date and (ii) subject to the Agreed Security Principles and the occurrence of the Control Date, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Facilities and (b) 120 days from the Control Date, be guaranteed by such Post-Control Date Guarantors, in each case, on a senior subordinated basis;
- mature on September 30, 2025; and
- be represented by one or more registered Senior Notes in global form, but in certain circumstances may be represented by Definitive Registered Senior Notes (as defined below). See “*Book-Entry, Delivery and Form*.”

Under the terms of the Intercreditor Agreement, the Holders will receive proceeds from the enforcement of the First-Priority Senior Notes Collateral (as defined below) on a *pari passu* basis with all indebtedness of the Company that is not subordinated in right of payment to the Senior Notes and the Holders will receive proceeds from the enforcement of Senior Notes Collateral that is not First-Priority Senior Notes

Collateral only after any indebtedness with a prior-ranking Lien on such Collateral is repaid in full, including the Senior Facilities and the Senior Secured Notes.

The Company is a holding company incorporated for the purposes of the Transactions, and the Company's only material assets are its indirect interests in the Target Group. All of the operations of the Company will be conducted through its Subsidiaries. Therefore, after the Issue Date, the Company will depend on the receipt of funds from its Subsidiaries (whether in the form of dividends, other distributions, return on capital or payments with respect to intercompany obligations) to meet its obligations, including its obligations under the Senior Notes. The Senior Notes will be structurally subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's Subsidiaries that are not Guarantors.

As of the Issue Date, the Initial Guarantors, the Target and all of the Target's Subsidiaries will be "*Restricted Subsidiaries*" for the purposes of the Senior Notes Indenture. However, under the circumstances described below under "*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*," we will be permitted to designate certain of our Subsidiaries as "*Unrestricted Subsidiaries*." Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Notes Indenture and will not guarantee the Senior Notes.

As of June 30, 2017, after giving pro forma effect to the Transactions (and assuming that all of the Existing Target Debt Financing has been repaid by drawings under the Senior Facilities Agreement and cash and cash equivalents of the Target Group), the Company and its consolidated Subsidiaries would have had €2,435 million of Indebtedness secured by a prior-ranking Lien on the Senior Notes Collateral (other than the First-Priority Senior Notes Collateral, which, as of the Issue Date, secures only the Senior Notes), consisting of €1,700.0 million of drawings under the Senior Term Loans and €735.0 million in aggregate principal amount of Senior Secured Notes. As of September 22, 2017, the Issuer had drawn €37 million under the Revolving Credit Facility and €250 million under the Senior Term Loans.

#### ***The Senior Notes Guarantees***

On the Issue Date, the Senior Notes will be guaranteed by the Initial Guarantors on a senior subordinated basis. Subject to the Agreed Security Principles and the occurrence of the Control Date on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Facilities and (b) 120 days from the Control Date, the Senior Notes will be guaranteed on a senior subordinated basis by the Post-Control Date Guarantors. In addition, if required by the covenant described under "*Certain Covenants—Additional Guarantees*," certain other Restricted Subsidiaries may provide a Senior Notes Guarantee (as defined below) in the future.

Once granted, the Senior Notes Guarantee of each of the Guarantors will:

- be a general senior subordinated obligation of that Guarantor, secured as set forth under "*Security*";
- be subordinated in right of payment to any existing and future senior indebtedness of that Guarantor, including its Guarantees of the Senior Secured Notes, the Senior Facilities and certain hedging obligations;
- rank *pari passu* in right of payment with any existing and future subordinated indebtedness of that Guarantor that is not subordinated in right of payment to such Senior Notes Guarantee of that Guarantor;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is subordinated in right of payment to its Senior Notes Guarantee;
- be effectively subordinated to any existing or future indebtedness or obligation of that Guarantor and its subsidiaries that is secured by property or assets that do not secure the Senior Notes or the Senior Notes Guarantees (including obligations under the Senior Facilities Agreement, the Senior Secured Notes and certain hedging obligations), to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the Subsidiaries of that Guarantor that do not guarantee the Senior Notes, including their obligations to trade creditors.

The obligations of a Guarantor under its Senior Notes Guarantee will be limited as necessary to prevent the relevant Senior Notes Guarantee from constituting a fraudulent conveyance or unlawful financial assistance under applicable law, or otherwise to reflect limitations under applicable law. In addition, the

Senior Notes Guarantees will be further limited as required under the Agreed Security Principles as described below under “*Senior Notes Guarantees—General.*” By virtue of these limitations, a Guarantor’s obligation under its Senior Notes Guarantee could be significantly less than amounts payable with respect to the Senior Notes, or a Guarantor may have effectively no obligation under its Senior Notes Guarantee. See “*Risk Factors—Risks Relating to Each Series of Notes—The insolvency laws of Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.*” The validity and enforceability of the Senior Notes Guarantees and the liability of each Guarantor will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*”

### **Principal, Maturity and Interest**

On the Issue Date, the Company will issue €340.0 million in aggregate principal amount of Senior Notes. The Senior Notes will mature on September 30, 2025. The Senior Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. While the Senior Notes may only be traded in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, for the purpose of the International Central Securities Depositories (“ICSDs”), the minimum denomination will be considered to be €1. For the avoidance of doubt, the ICSDs are not required to monitor or enforce the minimum amount.

The Senior Notes (together with any Additional Senior Notes) will be treated as a single class for all purposes under the Senior Notes Indenture, including in respect of any amendment, waiver or other modification of the Senior Notes Indenture or any other action by the Holders hereunder, except as otherwise provided in the Senior Notes Indenture.

Interest on overdue principal and interest on the Senior Notes will accrue at a rate that is 1% higher than the interest rate on the overdue principal or interest.

### ***Interest on the Senior Notes***

Interest on the Senior Notes will accrue at the rate of 5.00% per annum. Interest on the Senior Notes will be payable semi-annually in arrears on March 30 and September 30, commencing on March 30, 2018. Interest on the Senior Notes will be payable to the holder of record of such Senior Notes on the Business Day immediately preceding the related interest payment date.

Interest on the Senior Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders to receive the payments of interest on the Senior Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Senior Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

The right of holders of beneficial interests in the Senior Notes to receive the payment on such Senior Notes will be subject to the applicable procedures of Euroclear and Clearstream, as applicable.

### ***Methods of Receiving Payments on the Senior Notes***

Principal, interest and premium and Additional Amounts, if any, on the Senior Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (initially being the common depository or its nominee for Euroclear and Clearstream).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities (“*Definitive Registered Senior Notes*”) will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in London, United Kingdom. In addition, interest on the Definitive Registered Senior Notes may be paid, at the option of the Company, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders for the Definitive Registered Senior Notes. See “*Paying Agent and Registrar for the Senior Notes*” below.

### ***Paying Agent and Registrar for the Senior Notes***

The Company will maintain one or more Paying Agents for the Senior Notes in London, United Kingdom (including the initial Paying Agent). The initial Paying Agent will be Elavon Financial Services DAC, UK Branch (the “*Paying Agent*”).

The Company will also maintain a registrar (the “*Registrar*”) and a transfer agent (the “*Transfer Agent*”). The initial Registrar will be Elavon Financial Services DAC and the initial Transfer Agent will be Elavon Financial Services DAC, UK Branch. The Registrar will maintain a register reflecting ownership of the Senior Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Senior Notes on behalf of the Company. A register of the Senior Notes shall be left at the registered office of the Company. In case of inconsistency between the register of Senior Notes kept by the Registrar and the one kept by the Company at its registered office, the register kept by the Company shall prevail.

Upon written notice to the Trustee, the Company may change any Paying Agent, Registrar or Transfer Agent for the Senior Notes without prior notice to the Holders of such Senior Notes. However, for so long as Senior Notes are listed on the Official List of The International Stock Exchange Authority Limited (the “*Exchange*”) and if and to the extent that the rules of the Exchange so require, the Company will notify the Exchange of any change of Paying Agent, Registrar or Transfer Agent. The Company or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Notes.

### **Senior Notes Guarantees**

#### ***General***

Upon the initial issuance of the Senior Notes on the Issue Date, the Senior Notes will be guaranteed on a senior subordinated basis by the Initial Guarantors. Subject to the Agreed Security Principles and the occurrence of the Control Date, the Post-Control Date Guarantors will guarantee, jointly and severally, on a senior subordinated basis (each (including the Guarantees of the Senior Notes by the Initial Guarantors), a “*Senior Notes Guarantee*” and together (including the Guarantees of the Senior Notes by the Initial Guarantors), the “*Senior Notes Guarantees*”) the obligations of the Company pursuant to the Senior Notes, including any payment obligation resulting from a Change of Control, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Facilities and (b) 120 days from the Control Date.

The Target and substantially all of the Subsidiaries of the Target that are organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland are expected to become Post-Control Date Guarantors.

In addition, as described under “*Certain Covenants—Additional Guarantees*” and subject to the Intercreditor Agreement and the Agreed Security Principles, certain Subsidiaries of the Company that guarantee the Senior Facilities in the future or any Credit Facility or Public Debt, in each case, of the Company or a Guarantor, shall also enter into a supplemental senior notes indenture as a Guarantor and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Senior Facilities, the Senior Secured Notes and the Senior Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance rules, corporate benefit rules, fraudulent preference rules, “thin capitalization” rules, capital maintenance rules, retention of title claims and similar matters, or where the time and cost of granting the guarantee would be disproportionate to the benefit accruing to the Holders.

Each Senior Notes Guarantee will be limited to the maximum amount that would not render the Guarantor’s obligations subject to avoidance under applicable fraudulent conveyance provisions of the U.S. Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles, to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor’s obligation under its Senior Notes Guarantee could be significantly less than amounts payable with respect to the Senior Notes, or a Guarantor may have effectively no obligation under its Senior Notes Guarantee. See “*Risk Factors—Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*” and



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

A portion of the operations of the Company will be conducted through Subsidiaries that are not expected to become Guarantors, including Subsidiaries exempt from becoming Guarantors or having security granted over their shares or assets under the Agreed Security Principles, such as those Subsidiaries organized in Russia, Serbia and Vietnam. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Company and the Guarantors, including Holders. The Senior Notes and each Senior Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of the Company's Restricted Subsidiaries (other than the Guarantors) and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any).

As of and for the twelve months ended June 30, 2017, Subsidiaries organized in Germany, England and Wales, The Netherlands, the Republic of Ireland and Northern Ireland accounted for 40% of the consolidated assets, 38% of the consolidated sales and 47% of the consolidated EBITDA of the Target Group. After giving *pro forma* effect to the Transactions, as of June 30, 2017, the Issuer's Subsidiaries organized in Serbia would have had €53 million in third party financial Indebtedness (excluding finance leases). Although the Senior Notes Indenture will limit the Incurrence of Indebtedness and the issuance of Disqualified Stock of the Company and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Senior Notes Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Senior Notes Indenture. See *“Certain Covenants—Limitation on Indebtedness”* and *“Certain Definitions—Indebtedness.”*

No assurances may be given that the Control Date will occur, and if the Control Date does not occur, the Post-Control Date Guarantors may not Guarantee the Senior Notes or provide any Security Interests in respect of their property. See *“Risk Factors—Risks Relating to the Acquisition—The Senior Secured Notes Issuer does not currently control the Target Group and will not control the Target Group until the Control Date.”* As of June 30, 2017, prior to giving effect to the Transactions, the Target and its Subsidiaries had €1,432 million of third-party Indebtedness outstanding.

#### ***Senior Notes Guarantee Release***

The Senior Notes Guarantee of a Guarantor will terminate and be released:

- upon a sale, exchange, transfer or other disposition (including by way of consolidation, merger, or amalgamation) of any Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company of such Guarantor) as a result of which such Guarantor would no longer be a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), in each case if such sale, exchange, transfer or other disposition does not violate the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- upon the designation in accordance with the Senior Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes in accordance with the Senior Notes Indenture, as provided in *“Defeasance”* and *“Satisfaction and Discharge”*;
- pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under *“Amendments and Waivers”*;
- as described in the second paragraph of the covenant described below under *“Certain Covenants—Additional Guarantees”*;
- upon payment in full of principal and interest and all other obligations on the Senior Notes; or



- as a result of a transaction permitted by “*Merger and Consolidation.*”

The Trustee shall, subject to receipt of certain documentation requested pursuant to the Senior Notes Indenture, take all necessary actions at the reasonable request and cost of the Company, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Senior Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders and will not require any other action or consent on the part of the Trustee.

## Security

### General

The Senior Notes and the Senior Notes Guarantees in respect thereof will be secured on the Issue Date:

- on a first-priority basis, by Security Interests in a pledge of the shares in the Company, a security assignment of any structural intercompany receivables owed by the Company to German Midco and a pledge of the material bank accounts of the Company (the “*First-Priority Senior Notes Issue Date Collateral*”); and
- on a second-priority basis, by Security Interests in a pledge of the shares in the Senior Secured Notes Issuer and a security assignment of any structural intercompany receivables owed by the Senior Secured Notes Issuer to the Company (the “*Shared Senior Notes Issue Date Collateral*”). The Shared Senior Notes Issue Date Collateral will also secure the Senior Secured Notes, Senior Facilities and certain hedging obligations on a first-priority basis.

The Security Interests in the Senior Notes Collateral will be granted to the Security Agent on behalf of and for the benefit of the Holders pursuant to the Senior Notes Security Documents.

Subject to certain conditions, including compliance with the covenants described under “*Certain Covenants—Impairment of Security Interest*” and “*Certain Covenants—Limitation on Liens,*” the Company and the Restricted Subsidiaries will be permitted to grant security over the Senior Notes Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including, subject to certain requirements described herein, Additional Senior Notes, as permitted under the Senior Notes Indenture and the Intercreditor Agreement.

The Collateral will be pledged pursuant to the Senior Notes Security Documents to the Security Agent on behalf of the Holders and holders of the other secured obligations that are secured by the Senior Notes Collateral. Any other assets subject to Security Interests that may in the future be granted to secure obligations under the Senior Notes, any Senior Notes Guarantees and the Senior Notes Indenture would also constitute “Senior Notes Collateral.” All Collateral will be subject to the limitations that are applicable to Senior Notes Guarantees granted by the same entity, the operation of the Agreed Security Principles and any Permitted Collateral Liens.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*”

Notwithstanding the foregoing and the provisions of the covenant described below under “*Certain Covenants—Limitation on Liens,*” certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. For a non-exhaustive summary of certain terms of the Agreed Security Principles as they apply to the Senior Facilities and the Senior Secured Notes, and which will apply to the Senior Notes, *mutatis mutandis*, see “*Description of the Senior Secured Notes—Security—General*”:

As described above, all of the Shared Senior Notes Issue Date Collateral will also secure on a first-priority basis the liabilities under the Senior Facilities, certain Hedging Obligations, the Senior Secured Notes and may also secure certain future Indebtedness. The proceeds from the enforcement of the Senior Notes Collateral may not be sufficient to satisfy the obligations owed to the Holders.

No appraisals of the Senior Notes Collateral have been made in connection with the offering of the Senior Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See *“Risk Factors—Risks Relating to the Senior Notes—The value of the Senior Notes Collateral securing the Senior Notes may not be sufficient to satisfy our obligations under the Senior Notes and such Senior Notes Collateral may be reduced or diluted under certain circumstances.”*

### **Priority**

The relative priority with regard to the security interests in the Collateral that are created by the Senior Notes Security Documents (the *“Security Interests”* and each, a *“Security Interest”*) as between (a) the lenders under the Senior Facilities, (b) the counterparties under certain Hedging Obligations, (c) the trustee, the security agent and the holders of the Senior Secured Notes under the Senior Secured Notes Indenture, (d) the Trustee, the Security Agent and the Holders under the Senior Notes Indenture and (e) the creditors of certain other Indebtedness (including Indebtedness that may be Incurred in the future) permitted to be secured by such Senior Notes Collateral, respectively, will be established by the terms of the Intercreditor Agreement, which will provide, among other things, that the obligations under the Senior Facilities, certain Hedging Obligations and the Senior Secured Notes and the guarantees thereof are secured equally and ratably by first-ranking Security Interests in the Shared Senior Notes Collateral, and the Senior Notes and the guarantees thereof are secured by second-priority Security Interests in the Shared Senior Notes Collateral. See *“Description of Certain Financing Arrangements—Intercreditor Agreement”* and *“Certain Definitions—Permitted Collateral Liens.”*

### **Senior Notes Security Documents**

Under the Senior Notes Security Documents, the Company and the Guarantors will grant security over the Collateral to secure the payment when due of the Company’s and the Guarantors’ payment obligations under the Senior Notes, the Senior Notes Guarantees and the Senior Notes Indenture. The Senior Notes Security Documents will be entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into such Senior Notes Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders from time to time). Under the Intercreditor Agreement, the Security Agent also acts as an agent of the holders of the Senior Secured Notes, the lenders under the Senior Facilities and the counterparties under certain Hedging Obligations in relation to the Security Interests created in favor of such parties.

In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of Security Interests, the relevant Senior Notes Security Documents will secure *“parallel debt”* obligations created under the Intercreditor Agreement in favor of the Security Agent (and not the obligations under the Senior Notes and the Senior Notes Guarantees). The parallel debt construct has not been fully tested under law in certain of these jurisdictions. See *“Risk Factors—Risks Relating to Each Series of Notes—The security interests in the Senior Secured Notes Collateral and the Senior Notes Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Senior Secured Notes Collateral and the Senior Notes Collateral may be restricted by local law.”*

The Senior Notes Indenture will provide and the Intercreditor Agreement does provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Senior Notes Security Documents on behalf of the Trustee and the Holders. As a consequence of such contractual provisions, Holders will not be entitled to take enforcement action in respect of the Senior Notes Collateral securing the Senior Notes, except through the Trustee under the Senior Notes Indenture, who will (subject to the provisions of the Senior Notes Indenture) provide instructions to the Security Agent for the Collateral (as applicable). In addition, prior to the discharge of obligations under the Senior Facilities, the Senior Secured Notes, certain hedging obligations and other obligations constituting priority indebtedness under the Intercreditor Agreement, the representatives of the Holders will be subject to a 179-day standstill on the taking of any enforcement action over the Shared Senior Notes Collateral. See *“Description of Certain Financing Arrangements—Intercreditor Agreement.”*

The Senior Notes Indenture will provide that, subject to the terms thereof and of the Senior Notes Security Documents and the Intercreditor Agreement, the Senior Notes and the Senior Notes Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Senior Notes and the Senior Notes Indenture have been discharged. However, the Security Interests with respect to the Senior Notes and the Senior Notes Indenture may be released under certain circumstances as provided under *“Security—Release of Liens.”*

In the event that the Company or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Senior Notes Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Senior Notes Security Documents. See “*Risk Factors—Risks Relating to Each Series of Notes—The granting of the Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.*”

### ***Enforcement of Security Interest***

The Senior Notes Indenture will and the Intercreditor Agreement does restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Senior Notes Security Documents in certain circumstances upon enforcement by the Security Agent in accordance with the terms of the Intercreditor Agreement. These limitations are described under “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*” The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Senior Notes Indenture and the Intercreditor Agreement.

The creditors under the Senior Facilities, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Senior Note, each Holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the Senior Notes Security Documents securing such Indebtedness.

### ***Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound***

The Senior Notes Indenture will provide that each Holder, by accepting such Senior Note, will be deemed (*without any further consent of the Holders*) to have:

- (1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Senior Notes Security Documents and perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the Senior Notes Security Documents securing such Indebtedness, together with any other incidental rights, power and discretions;
- (2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Senior Notes Security Documents; and
- (3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Senior Notes Security Documents (including the execution of, and compliance with, any waiver, modification, amendment, renewal or replacement expressed to be executed by the Trustee or the Security Agent on its behalf).

See the section entitled “*Risk Factors—Risks Relating to Each Series of Notes—The security interests in the Senior Secured Notes Collateral and the Senior Notes Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Senior Secured Notes Collateral and the Senior Notes Collateral may be restricted by local law.*”

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under “*Certain Covenants—Additional Intercreditor Agreements.*”

### ***Release of Liens***

Release of the Security Interests in respect of the Senior Notes Collateral will be permitted under any one or more of the following circumstances:

- (1) in connection with any sale or other disposition of Senior Notes Collateral to (a) a Person that is not the Company or a Restricted Subsidiary (but excluding any transaction subject to “*Merger and Consolidation*”), if such sale or other disposition does not violate the covenant described under

*“Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock”* and is otherwise not prohibited by the Senior Notes Indenture or (b) any Restricted Subsidiary; *provided* that this clause 1(b) shall not be relied upon in the case of a transfer of Capital Stock or of accounts receivable (including intercompany loan receivables and hedging receivables) to a Restricted Subsidiary (except to a Securitization Subsidiary) unless the relevant property and assets remain subject to, or otherwise become subject to, a Lien in favor of the Senior Notes following such sale or disposal;

- (2) in the case of a Guarantor that is released from its Senior Notes Guarantee pursuant to the terms of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) as described under *“Amendments and Waivers”*;
- (4) upon payment in full of principal, interest and all other obligations on the Senior Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes, as provided in *“Defeasance”* and *“Satisfaction and Discharge”*;
- (5) if the Company designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary; or
- (6) as otherwise permitted in accordance with the Senior Notes Indenture.

In addition, the Security Interests created by the Senior Notes Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under *“Certain Covenants—Impairment of Security Interest.”*

The Security Agent and the Trustee (but only if required) will take all necessary action reasonably requested by, and at the cost of, the Company to effectuate any release of Senior Notes Collateral securing the Senior Notes and the Senior Notes Guarantees, in accordance with the provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Senior Notes Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release). The Security Agent and the Trustee shall be entitled to request and rely solely upon an Officer’s Certificate and Opinion of Counsel, each certifying which circumstance, as described above, giving rise to a release of the Security Interests has occurred, and that such release complies with the Senior Notes Indenture.

### **Transfer and Exchange**

The Senior Notes will be issued in the form of several registered notes in global form without interest coupons attached, as follows:

- each series of Senior Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the *“144A Global Senior Notes”*). The 144A Global Senior Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream; and
- each series of Senior Notes sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the *“Regulation S Global Senior Notes”* and, together with the 144A Global Senior Notes, the *“Global Senior Notes”*). The Regulation S Global Senior Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Senior Notes (*“Book-Entry Interests”*) will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under *“Notice to Investors”*. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and



subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Senior Notes (the “*144A Book- Entry Interests*”) may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Senior Notes (the “*Regulation S Book-Entry Interests*”) denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

During the 40-day distribution compliance period (as such term is defined in Rule 902 of Regulation S), Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a “*qualified institutional buyer*” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Senior Note from which it was transferred and will become a Book-Entry Interest in the Global Senior Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Senior Note to which it was transferred.

If Definitive Registered Senior Notes are issued, they will be issued only in minimum denominations of €100,000, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Senior Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Notes Indenture or as otherwise determined by the Company in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Notice to Investors*.”

Subject to the restrictions on transfer referred to above, Senior Notes issued as Definitive Registered Senior Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Senior Notes Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

The Company, the Trustee, the Security Agent, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Senior Note as the owner thereof for all purposes.

#### **Restricted Subsidiaries and Unrestricted Subsidiaries**

On the Issue Date, all of the Company’s Subsidiaries will be Restricted Subsidiaries. However, in the circumstances described below under “*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*,” the Company will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Notes Indenture.

#### **Proceeds Loan**

On August 21, 2017, the Company, as lender, and the Issuer, as borrower, entered into a loan agreement pursuant to which the Company loaned to the Issuer the gross proceeds from the drawing of the Senior Unsecured Bridge Facility (the “*Bridge Proceeds Loan*”). The Bridge Proceeds Loan will be refinanced with a new proceeds loan (the “*Proceeds Loan*”) under a loan agreement to be dated on or about the Issue Date (the “*Proceeds Loan Agreement*”), pursuant to which the Company, as lender, will loan the proceeds of the Senior Notes to the Issuer, as borrower.



The Proceeds Loan will be denominated in euros in a principal amount equal to the net proceeds of the Senior Notes. The Proceeds Loan will require the Issuer to make all payments thereunder on a timely basis in order to ensure that the Company can satisfy its payment obligations under the Senior Notes including as to interest, principal, additional amounts, if any, and other required payments due under the Senior Notes. All amounts payable under the Proceeds Loan Agreement will be payable to such account or accounts with such person or persons as the Company may designate. The maturity date of the Proceeds Loan will be the same maturity date as the maturity date of the Senior Notes. The Proceeds Loan will be an unsecured obligation of the Issuer, and will be contractually subordinated to the obligations of the Issuer under the Senior Secured Notes and the Senior Facilities pursuant to the terms of the Intercreditor Agreement. The receivables under the Proceeds Loan will be assigned by way of security, on a first-ranking basis, to the Security Agent for the benefit of Holders of the Senior Secured Notes and the Senior Facilities and certain Hedging Obligations, and, on a second-ranking basis, to the Security Agent for the benefit of holders of the Senior Notes.

### **Optional Redemption**

Except as set forth below, and except as described under “*Redemption for Taxation Reasons*,” the Senior Notes are not redeemable at the option of the Company.

At any time prior to September 30, 2020, the Company may redeem the Senior Notes, in whole or in part, at its option, upon notice as described under “*Selection and Notice*,” at a redemption price equal to 100% of the principal amount of such Senior Notes plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date.

At any time and from time to time prior to September 30, 2020, the Company may, at its option, redeem Senior Notes, upon notice as described under “*Selection and Notice*,” with the Net Cash Proceeds received by the Company from any Equity Offering at a redemption price equal to 105.00% of the principal amount of the Senior Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the redemption date in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Senior Notes (including any Additional Senior Notes); *provided* that:

- (1) in each case the redemption takes place not later than 180 days after the closing of the related Equity Offering; and
- (2) not less than 60% of the original aggregate principal amount of the Senior Notes (including Additional Senior Notes) issued under the Senior Notes Indenture remains outstanding immediately thereafter (excluding Senior Notes held by the Company or any of the Restricted Subsidiaries).

At any time and from time to time on or after September 30, 2020, the Company may redeem the Senior Notes, in whole or in part, upon notice as described under “*Selection and Notice*,” at a redemption price equal to the percentage of principal amount of the Senior Notes so redeemed set forth below plus accrued and unpaid interest, if any, on the Senior Notes redeemed, to, but excluding, the applicable redemption date and Additional Amounts, if any, if redeemed during the twelve-month period beginning on September 30, of the year indicated below:

<u>Year</u>	<u>Redemption Price</u>
2020 .....	102.500%
2021 .....	101.250%
2022, and thereafter .....	100.000%

### **Other Redemption Terms**

Notwithstanding the foregoing, in connection with any tender offer for the Senior Notes, including a Change of Control Offer (as defined below) or Asset Disposition Offer (as defined below), if Holders of not less than 90% in aggregate principal amount of the applicable outstanding Senior Notes validly tender and do not withdraw such Senior Notes in such tender offer and the Company, or any third party making such a tender offer in lieu of the Company, purchases, all of the Senior Notes validly tendered and not withdrawn by such Holders, the Company or such third party will have the right upon not less than 10 nor more than 60 days’ prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Senior Notes that remain outstanding in whole, but not in part following such purchase at a price equal to the price offered to each other Holder (excluding any early tender or incentive fee) in such

tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, such redemption date.

Subject to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, we may repurchase the Senior Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under “*Selection and Notice*” below.

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Senior Notes or portions thereof called for redemption on the applicable redemption date.

### **Mandatory Redemption or Sinking Fund**

The Company is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Notes. However, under certain circumstances, the Company may be required to offer to purchase Senior Notes as described under “*Change of Control*” and “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*.”

### **Selection and Notice**

If less than all of any series of the Senior Notes are to be redeemed at any time, the Paying Agent or Registrar will select the Senior Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Senior Notes are listed, as certified to the Paying Agent or Registrar by the Company, and in compliance with the requirements of Euroclear and Clearstream, or if the Senior Notes are not so listed or such exchange prescribes no method of selection and the Senior Notes are not held through Euroclear and Clearstream or Euroclear and Clearstream prescribe no method of selection, on a *pro rata* basis, subject to adjustments so that no Senior Note in an unauthorized denomination remains outstanding after such redemption; *provided, however*, that no Senior Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Senior Notes in integral multiples of €1,000 shall be redeemed. The Trustee, the Paying Agent and the Registrar shall not be liable for selections made under this paragraph.

Notices of redemption will be delivered electronically or mailed by first-class mail at least 10 days but not more than 60 days before the redemption date to each Holder of Senior Notes to be redeemed at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, except that redemption notices may be delivered electronically or mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Notes or a satisfaction and discharge of the Senior Notes Indenture.

Notice of any redemption of the Senior Notes may, at the Company’s discretion, be given prior to the completion of a transaction (including, but not limited to, an Equity Offering, an Incurrence of Indebtedness, a Change of Control or other transaction) and any redemption notice may, at the Company’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related transaction. If such redemption or purchase is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Company’s discretion, the redemption date may be delayed until such time (but not more than 60 days after the date the notice of redemption was sent) as any or all such conditions shall be satisfied, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date as so delayed. In addition, the Company may provide in such notice that payment of the redemption price and performance of the Company’s obligations with respect to such redemption may be performed by another Person.

If and for so long as any Senior Notes are listed on the Exchange and if and to the extent the rules of the Exchange so require, the Company will notify the Exchange of any such notice to the Holders of the relevant Senior Notes and, in connection with any redemption, the Company will notify the Exchange of any change in the principal amount of Senior Notes outstanding.

If any Senior Note is to be redeemed in part only, the notice of redemption that relates to that Senior Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Senior Note will be issued in the name of the Holder thereof upon cancellation of the original Senior Note. In the case of a Global Senior Secured Note, an appropriate notation will be made on such Senior Note to decrease the principal amount thereof to an amount equal to the unredeemed portion

thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Senior Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, unless the Company defaults in the payment of the redemption price, interest ceases to accrue on Senior Notes or portions of them called for redemption.

### **Redemption for Taxation Reasons**

The Company may redeem the Senior Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, as defined below under "*Withholding Taxes*," if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Company determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or
- (2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Senior Notes would be, required to pay Additional Amounts with respect to the Senior Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Company or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Notes Indenture, with respect to a Change in Tax Law occurring after the time such successor Person becomes a party to the Senior Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of Senior Notes pursuant to the foregoing, the Company will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have been satisfied and that the obligation to pay Additional Amounts cannot be avoided by the relevant Payor taking reasonable measures available to it and (b) a written opinion of an independent tax counsel of recognized standing qualified under the laws of the relevant taxing jurisdiction and satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely conclusively on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

### **Withholding Taxes**

All payments made by or on behalf of the Company or any Guarantor (including any successor entity) (each, a "*Payor*") in respect of the Senior Notes or with respect to any Senior Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law or by the relevant taxing

authority's interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Senior Note or Senior Notes Guarantee is made or any political subdivision or governmental authority thereof or therein having the power to tax (including the jurisdiction of the Paying Agent); or
- (2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Senior Note or any Senior Notes Guarantee, including (without limitation) payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such withholding or deduction from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Senior Note or Senior Notes Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes, to the extent such Taxes would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in or place of management present in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Senior Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Note, the Senior Notes Indenture or a Senior Notes Guarantee;
- (2) any Taxes, to the extent such Taxes are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Note to comply with a reasonable written request of the Payor addressed to the Holder or beneficial owner, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a law, statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax, but, in each case, only to the extent the Holder or beneficial owner is legally entitled to do so;
- (3) any Taxes, to the extent such Taxes are imposed as a result of the presentation of the Senior Note for payment (where Senior Notes are in the form of Definitive Registered Senior Notes and presentation is required) more than 30 days after the later of the applicable payment date or the date the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Note been presented on the last day of such 30 day period);
- (4) any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Senior Notes or with respect to any Senior Notes Guarantee;
- (5) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;
- (6) any Taxes imposed, deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code, in each case, as of the Issue Date (and any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof or similar law or regulation implementing an intergovernmental agreement relating thereto; or
- (7) any combination of the items (1) through (6) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any Person other than the beneficial owner of the Senior Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Senior Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee (with a copy to the Paying Agent). Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts with respect to any payment made on any Senior Note or any Senior Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior Notes Indenture, the Senior Notes or this "*Description of the Senior Notes*" there is mentioned, in any context:

- (1) the payment of principal;
- (2) redemption prices or purchase prices in connection with a redemption or purchase of the Senior Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Senior Notes or any Senior Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and reimburse each applicable Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, issuance, delivery, registration, enforcement of, or receipt of payments with respect to any Senior Notes, any Senior Notes Guarantee, the Senior Notes Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior Notes after this offering).

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Notes Indenture, any transfer by a Holder or beneficial owner, and will apply mutatis mutandis to any jurisdiction in which any successor to a Payor is incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior Notes (or any Senior Notes Guarantee) is made by or on behalf of such Person, or any political subdivision or taxing authority or agency thereof or therein.

### **Change of Control**

The Senior Notes Indenture will provide that if a Change of Control Triggering Event occurs, unless (i) a third party makes a change of control offer as described herein or (ii) the Company has previously or substantially concurrently therewith delivered a redemption notice with respect to all the outstanding Senior Notes as described under "*Optional Redemption*," the Company will make an offer to purchase all of the Senior Notes (equal to €100,000 in principal amount or in integral multiples of €1,000 in excess thereof; *provided* that Senior Notes of €100,000 or less in principal amount may only be redeemed in whole



and not in part) pursuant to the offer described below (the “*Change of Control Offer*”) at a price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the date of repurchase. Within 60 days following any Change of Control Triggering Event, the Company will deliver or cause to be delivered a notice of such Change of Control Offer electronically in accordance with the applicable procedures of Euroclear and Clearstream or by first-class mail, with a copy to the Trustee, to each Holder at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Senior Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Senior Notes Indenture and described in such notice, except in the case of a conditional Change of Control Offer made in advance of a Change of Control Triggering Event as described below.

To the extent that the provisions of any securities laws, rules or regulations, including Rule 14e-1 under the Exchange Act, conflict with the provisions of the Senior Notes Indenture, the Company will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Senior Notes Indenture by virtue thereof. The Company may rely on any no-action letters issued by the SEC indicating that the staff of the SEC will not recommend enforcement action in the event a tender offer satisfies certain conditions.

Except as described above with respect to a Change of Control Triggering Event, the Senior Notes Indenture does not contain provisions that permit the Holders to require that the Company repurchase or redeem the Senior Notes in the event of a takeover, recapitalization or similar transaction.

The occurrence of events which would constitute a Change of Control or a Change of Control Triggering Event may constitute a default under the Senior Facilities Agreement that permits the Senior Facilities lenders to accelerate the maturity of borrowings thereunder. Future Indebtedness of the Company or the Restricted Subsidiaries may contain prohibitions on certain events which would constitute a Change of Control or a Change of Control Triggering Event or require such Indebtedness to be repurchased upon a Change of Control or a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to repurchase the Senior Notes could cause a default under such Indebtedness, even if the Change of Control or the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Company.

The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by its then-existing financial resources. Therefore, sufficient funds may not be available when necessary to make any required repurchases. The Change of Control Triggering Event purchase feature of the Senior Notes may in certain circumstances make more difficult or discourage a sale or takeover of us and, thus, the removal of incumbent management. The Change of Control Triggering Event purchase feature is a result of negotiations between the initial purchasers of the Senior Notes and us.

Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Triggering Event under the Senior Notes Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to Incur additional Indebtedness are contained in the covenants described under “*Certain Covenants—Limitation on Indebtedness*” and “*Certain Covenants—Limitation on Liens*.” Such restrictions in the Senior Notes Indenture can be waived only with the consent of the Holders of a majority in principal amount of the Senior Notes then outstanding. Except for the limitations contained in such covenants, however, the Senior Notes Indenture will not contain any covenants or provisions that may afford Holders protection in the event of a highly leveraged transaction.

The Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Notes Indenture applicable to a Change of Control Offer made by the Company and purchases all Senior Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption of all outstanding Senior Notes has been given pursuant to the Senior Notes Indenture as described under “*Optional Redemption*,” unless and until there is a default in the payment of the redemption price on the applicable redemption date or the redemption is not consummated due to the failure of a condition precedent contained in the applicable redemption notice to be satisfied. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event.

The definition of “*Change of Control*” includes a disposition of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to certain Persons. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Company and its Subsidiaries, taken as a whole. As a result, it may be unclear as to whether a Change of Control Triggering Event has occurred and whether a Holder may require the Company to make an offer to repurchase the Senior Notes as described above.

The provisions under the Senior Notes Indenture relating to the Company’s obligation to make an offer to repurchase the Senior Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of the Holders of a majority in principal amount of the Senior Notes then outstanding.

If and for so long as the Senior Notes are listed on the Exchange and if and to the extent that the rules of the Exchange so require, the Company will notify the Exchange of any Change of Control Offer.

### **Certain Covenants**

Set forth below are summaries of certain covenants that will be contained in the Senior Notes Indenture. For the avoidance of doubt, the consummation of the Transactions shall not be prohibited by the covenants below.

### ***Acknowledgment of Control Limitations***

Prior to the Control Date: (a) to the extent the Company undertakes under the Senior Notes Documents to procure compliance by members of the Target Group with any term of any Senior Notes Documents (including, for the avoidance of doubt, in respect of the covenant described under the heading “—*Reports*”) or where any term of any Senior Notes Document is expressed directly or indirectly to apply to a member of the Target Group, such term, undertaking or requirement will be subject to all limitations and restrictions on the influence the Company may exercise as an indirect shareholder of the Target (or the access it has to the relevant information in its capacity as shareholder of the Senior Secured Notes Issuer, as applicable) in accordance with mandatory German corporate law but without any obligation to compensate or to offer any compensation in accordance with the German Stock Corporation Act (including, but not limited to, Sections 311 *et seq.* German Stock Corporation Act) (and, for the avoidance of doubt, no breach of any such term, undertaking or requirement, and no Default or Event of Default, shall occur if having exercised all such influence, the relevant term, undertaking or requirement is nevertheless breached); and (b) any undertaking given directly by a member of the Target Group shall only apply in respect of such member of the Target Group and its Subsidiaries and shall be given towards the Trustee and/or the Security Agent only.

### ***Suspension of Covenants on Achievement of Investment Grade Status***

Following the first day that:

- (a) the Senior Notes have achieved Investment Grade Status; and
  - (b) no Default or Event of Default has occurred and is continuing under the Senior Notes Indenture,
- then, beginning on that day and continuing until the Reversion Date (as defined below), the Company and the Restricted Subsidiaries will not be subject to the provisions of the Senior Notes Indenture summarized under the following headings (collectively, the “*Suspended Covenants*”):
- “—*Limitation on Restricted Payments*”;
  - “—*Limitation on Indebtedness*”;
  - “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*”;
  - “—*Limitation on Affiliate Transactions*”;
  - “—*Limitation on Sales of Assets and Subsidiary Stock*”;
  - “—*Additional Guarantees*”; and
  - the provisions of clause (3) of the first paragraph of “*Merger and Consolidation—The Company.*”

If at any time the Senior Notes cease to have such Investment Grade Status, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the “*Reversion Date*”) and will be applicable pursuant to the terms of the Senior Notes Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Senior Notes Indenture), unless and until the Senior Notes subsequently attain Investment Grade Status (in which event the Suspended Covenants shall no longer be in effect for such time that the Senior Notes maintain an Investment Grade Status); *provided, however*, that no Default, Event of Default or breach of any kind shall be deemed to exist under the Senior Notes Documents with respect to the Suspended Covenants based on, and none of the Company or any of the Restricted Subsidiaries shall bear any liability with respect to such Suspended Covenants for, any actions taken or events occurring during the Suspension Period, or any actions taken at any time pursuant to any contractual obligation arising prior to the Reversion Date, regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during such period. The period of time between the date of suspension of the covenants and the Reversion Date is referred to as the “*Suspension Period*.”

On the Reversion Date, all Indebtedness Incurred during the Suspension Period (other than any Indebtedness Incurred under the Senior Term Loan or the Revolving Credit Facility) will be deemed to have been outstanding on the Issue Date so that it is classified as permitted under clause (4)(c) of the second paragraph of “—*Limitation on Indebtedness*.” On and after the Reversion Date, all Liens created during the Suspension Period will be considered Permitted Liens pursuant to clause (11) of such definition. Calculations made after the Reversion Date of the amount available to be made as Restricted Payments (as defined below) under “—*Limitation on Restricted Payments*” will be made as though the covenants described under “—*Limitation on Restricted Payments*” had been in effect since the Issue Date and prior to, but not during, the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will not reduce the amount available to be made as Restricted Payments under “—*Limitation on Restricted Payments*.” On the Reversion Date, the amount of Excess Proceeds (as defined below) shall be reset at zero. Any Affiliate Transaction entered into after the Reversion Date pursuant to an agreement entered into during any Suspension Period will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (6) of the second paragraph under “—*Limitation on Affiliate Transactions*.” Any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (A) through (C) of the first paragraph of “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*” that becomes effective during the Suspension Period will be deemed to have existed on the Issue Date, so that it is classified as permitted under clause (1) of the second paragraph under “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*.” On and after each Reversion Date, the Company and the Restricted Subsidiaries will be permitted to consummate the transactions contemplated by any contract entered into during the Suspension Period, so long as such contract and such consummation would have been permitted during such Suspension Period.

In addition, any future obligation to grant further Senior Notes Guarantees shall be released. All such further obligation to grant Senior Notes Guarantees shall be reinstated upon the Reversion Date.

There can be no assurance that the Senior Notes will ever achieve or maintain Investment Grade Status.

The Trustee shall have no duty to monitor the ratings of the Senior Notes, shall not be deemed to have any knowledge of the ratings of the Senior Notes and shall have no duty to notify Holders if the Senior Notes achieve Investment Grade Status or upon the occurrence of the Reversion Date. The Company shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for suspension of the applicable covenants to be effective.

#### ***Limitation on Indebtedness***

The Company will not, and will not permit any of the Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness) and the Company will not issue Disqualified Stock and will not permit any of the Restricted Subsidiaries to issue Preferred Stock; *provided, however*, that the Company and any of the Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) and the Company may issue Disqualified Stock and any of the Restricted Subsidiaries may issue Preferred Stock, if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), the Fixed Charge Coverage Ratio of the Company and the Restricted Subsidiaries is at least 2.00 to 1.00; *provided* that the amount of Indebtedness Incurred and the amount of Disqualified Stock or Preferred Stock issued pursuant to the foregoing shall not cause the Non-Guarantor Debt Cap to be exceeded.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (collectively, “*Permitted Debt*”):

- (1) the Incurrence by the Company or any of the Restricted Subsidiaries of Indebtedness under any Credit Facility (and the issuance and creation of letters of credit and bankers’ acceptances thereunder) in an aggregate principal amount at any time outstanding not to exceed the sum of:
  - (a) (i) €1,700.0 million; *plus* (ii) €400.0 million; *plus*
  - (b) an amount equal to the greater of (i) €500.0 million and (y) 100.0% of LTM EBITDA; *plus*;
  - (c) the maximum amount of Indebtedness such that after giving pro forma effect to such Incurrence the Consolidated Total Net Leverage Ratio of the Company and the Restricted Subsidiaries does not exceed 5.70 to 1.00 (with any Indebtedness Incurred under clause (b) above on the date of determination of the Consolidated Total Net Leverage Ratio not being included in the calculation of Consolidated Total Net Leverage Ratio under this clause (c) on such date of determination but not, for the avoidance of doubt, excluded from any such calculation made on any such subsequent date),

*provided* that (i) any Indebtedness Incurred pursuant to this clause (1) may be refinanced at any time if such refinancing does not exceed the greater of (I) the aggregate principal amount of Indebtedness permitted to be Incurred pursuant to this clause (1) on the date of such refinancing and (II) the aggregate principal amount of the Indebtedness being refinanced at such time (together with an amount necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred in connection with such refinancing) and, in the case of a refinancing of Indebtedness under the Senior Term Loan or the Revolving Credit Facility, such Indebtedness shall be treated for all purposes as Incurred pursuant to subclause (1)(a)(i) and (1)(a)(ii), respectively; *provided further* that the amount of Indebtedness Incurred and Disqualified Stock or Preferred Stock issued pursuant to clauses (1)(b) and (1)(c) shall not cause the Non-Guarantor Debt Cap to be exceeded;

- (2) Guarantees by the Company or any Restricted Subsidiary of Indebtedness or other obligations of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness or other obligations is not prohibited by the terms of the Senior Notes Indenture;
- (3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary;
- (4) Indebtedness represented by (a) Indebtedness of the Target Group outstanding as of the Issue Date or Incurred under a facility committed and as in effect as of the Issue Date, in either case, in respect of factoring financings, securitizations, receivables financings or similar arrangements, (b)(i) the Senior Notes (other than any Additional Senior Notes), including any Senior Notes Guarantee, and the Senior Unsecured Bridge Facility, including any Guarantee thereof, (ii) the Senior Secured Bridge Facility and the Senior Secured Notes (other than any additional Senior Secured Notes), including any Guarantee thereof, and (iii) any loans pursuant to which proceeds of any Indebtedness of a Parent Entity that are lent to the Company, to the extent that such Indebtedness is Guaranteed by the Company or any Restricted Subsidiary or is otherwise considered Indebtedness of the Company or any Restricted Subsidiary, and such Guarantees or the Incurrence of such Indebtedness, as the case may be, as are not prohibited by the Senior Notes Indenture, (c) any Indebtedness of the Target Group (other than Indebtedness Incurred pursuant to clauses (1) and (3) above) outstanding on the Issue Date and any Guarantees thereof after giving pro forma effect to the Transactions and the application of the proceeds therefrom (as described under “*Use of Proceeds*” in this Offering Memorandum), (d) Refinancing Indebtedness (including with respect to the Senior Notes and any Guarantee thereof) Incurred in respect of any Indebtedness described in this clause (4) and clause (5)(b) of this paragraph or Incurred pursuant to the first paragraph of this covenant, and (e) other Indebtedness Incurred to finance Management Advances;
- (5) Indebtedness (x) of the Company or any Restricted Subsidiary Incurred or issued to finance an acquisition (including an acquisition of any assets) (“*Acquisition Debt*”) or (y) of Persons that are, or secured by any assets that are, acquired by the Company or any Restricted Subsidiary or merged into, amalgamated or consolidated with the Company or a Restricted Subsidiary in accordance with the terms of the Senior Notes Indenture; *provided* that Indebtedness Incurred pursuant to this paragraph (5) is in an aggregate amount not to exceed (a) the greater of (i) €75.0 million and



- (ii) 15.0% of LTM EBITDA at the time of Incurrence, *plus* (b) unlimited additional Indebtedness to the extent that after giving effect to such acquisition, merger or consolidation and without giving effect to any Indebtedness Incurred or issued pursuant to subclause (5)(a) above on the date of determination, either: (i) the Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph or clause 1(c) of the second paragraph of this covenant, or (ii) either the Fixed Charge Coverage Ratio of the Company and the Restricted Subsidiaries would not be lower, or the Consolidated Total Net Leverage Ratio of the Company and the Restricted Subsidiaries would not be higher, and, in each case, than it was immediately prior to such acquisition, merger, amalgamation or consolidation; *provided* that the amount of Acquisition Debt Incurred pursuant to clause (b) shall not cause the Non-Guarantor Debt Cap to be exceeded;
- (6) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes);
- (7) Indebtedness (a) represented by Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7)(a) and then outstanding, does not exceed the greater of (i) €125.0 million and (ii) 25.0% of LTM EBITDA at the time of Incurrence, and any Refinancing Indebtedness in respect thereof (provided that, in each case, the Indebtedness exists on the date of such purchase, lease, rental, construction, design, installation or improvement or is created within 180 days thereafter) or (b) arising out of Sale and Leaseback Transactions;
- (8) Indebtedness in respect of (a) workers' compensation claims, old-age-part-time arrangements, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, vacation pay, health, disability or other employee benefits, customer guarantees performance, indemnity, surety, judgment, appeal, advance payment (including progress premiums), customs, value added or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or consistent with past practice; (b) the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence; (c) customer deposits and advance payments (including progress premiums) received in the ordinary course of business or consistent with past practice from customers for goods or services purchased in the ordinary course of business or consistent with past practice; (d) letters of credit, bankers' acceptances, warehouse receipts, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or consistent with past practice; (e) the financing of insurance premiums, take-or-pay obligations contained in supply arrangements, any customary treasury, depository, cash management, automatic clearinghouse arrangements, overdraft protections, credit or debit card, purchase card, electronic funds transfer, cash pooling or netting or setting off arrangements or similar arrangements in the ordinary course of business or consistent with past practice; (f) Indebtedness representing (i) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Entity, the Company or any of its Subsidiaries in the ordinary course of business or consistent with past practice or (ii) deferred compensation or other similar arrangements in connection with any Investment or acquisition permitted hereby; and (g) Settlement Indebtedness;
- (9) Indebtedness arising from agreements providing for guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and the Restricted Subsidiaries in respect of all such Indebtedness in connection with a disposition shall at no



time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and the Restricted Subsidiaries in connection with such disposition;

- (10) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (10) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock or otherwise contributed to the equity (in each case, other than through the issuance of Disqualified Stock, Designated Preferred Stock, any Shareholder Contribution or an Excluded Contribution or Excluded Amounts (as defined below)) of the Company, in each case, subsequent to the Issue Date, and any Refinancing Indebtedness in respect thereof; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall not increase the amount available for making Restricted Payments to the extent the Company and the Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause to the extent such Net Cash Proceeds or cash have been applied to make Restricted Payments;
- (11) Indebtedness of Restricted Subsidiaries that are not Guarantors and Guarantees by the Company or any Restricted Subsidiary of Indebtedness of joint ventures in an aggregate amount not to exceed the greater of (a) €100.0 million and (b) 20.0% of LTM EBITDA at any time outstanding, and any Refinancing Indebtedness in respect thereof; *provided* that the amount of Indebtedness Incurred and Disqualified Stock or Preferred Stock issued pursuant to this clause (11) shall not cause the Non-Guarantor Debt Cap to be exceeded;
- (12) Indebtedness consisting of promissory notes issued by the Company or any of the Restricted Subsidiaries to any future, present or former employee, director, contractor or consultant of the Company, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, or heirs of such employee, director, contractor or consultant), to finance the purchase or redemption of Capital Stock of the Company or any Parent Entity that is permitted by the covenant described below under “—*Limitation on Restricted Payments*”;
- (13) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed the greater of (a) €150.0 million and (b) 30.0% of LTM EBITDA; *provided* that the amount of Indebtedness Incurred and Disqualified Stock or Preferred Stock issued pursuant to this clause (13) shall not cause the Non-Guarantor Debt Cap to be exceeded;
- (14) Indebtedness Incurred pursuant to factoring financings, securitizations, receivables financings or similar arrangements, in each case, that are either: (a) not recourse to the Company and the Restricted Subsidiaries other than a Securitization Subsidiary (except for Standard Securitization Undertakings); or (b) not in excess of the greater of (x) €100.0 million and (y) 20.0% of LTM EBITDA at any time outstanding;
- (15) any obligation, or guaranty of any obligation, of the Company or any Restricted Subsidiary to reimburse or indemnify a Person extending credit to customers of the Company or a Restricted Subsidiary Incurred in the ordinary course of business or consistent with past practice for all or any portion of the amounts payable by such customers to the Person extending such credit;
- (16) Indebtedness to a customer to finance the acquisition of any equipment necessary to perform services for such customer; *provided* that the terms of such Indebtedness are consistent with those entered into with respect to similar Indebtedness prior to the Issue Date, including that (a) the repayment of such Indebtedness is conditional upon such customer ordering a specific volume of goods and (b) such Indebtedness does not bear interest or provide for scheduled amortization or maturity;
- (17) obligations in respect of Disqualified Stock of the Company in an amount not to exceed €50.0 million outstanding at the time of Incurrence;
- (18) Indebtedness of the Company or any of the Restricted Subsidiaries arising pursuant to any Permitted Tax Restructuring;
- (19) Indebtedness consisting of local lines of credit, overdraft facilities or local working capital facilities in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant

to this clause (19) and then outstanding, will not exceed the greater of (a) €125.0 million and (b) 25.0% of LTM EBITDA; and

- (20) Subordinated Liabilities (as defined in the Intercreditor Agreement) in respect of amounts under intercompany loans arising pursuant to clause (b) to the proviso to clause (25) under the second paragraph of the covenant described under “—*Limitation on Restricted Payments.*”

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) subject to clause (3) below, in the event that all or any portion of any item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include, in any manner that complies with this covenant, the amount and type of such Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in the first paragraph above or one of the clauses of the second paragraph of this covenant, and Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (2) with respect to clauses (5)(a), (11) and (13) of the second paragraph of this covenant, if at any time that the Company would be entitled to have Incurred any then outstanding item of Indebtedness pursuant to the first paragraph of this covenant or pursuant to clause (1)(c) of the second paragraph of this covenant, such item of Indebtedness shall be automatically reclassified into an item of Indebtedness Incurred pursuant to the first paragraph of this covenant or pursuant to clause (1)(c) of the second paragraph of this covenant, as applicable;
- (3) all Indebtedness under the Senior Term Loan whenever Incurred and all Existing Target Debt Financing outstanding on the Issue Date (excluding an aggregate principal amount of Existing Target Debt Financing equal to the aggregate amount of cash and Cash Equivalents in the Target Group as of June 30, 2017 (less an amount of such cash and Cash Equivalents used by the Target Group to repay any Existing Target Debt Financing on or prior to the Issue Date), which aggregate principal amount of Existing Target Debt Financing will be deemed to have been Incurred pursuant to clause (4)(c) of the second paragraph of this covenant) shall be deemed to have been Incurred pursuant to clause (a)(1)(i) of the second paragraph of this covenant, and the Company shall not be permitted to reclassify all or any portion of such Indebtedness Incurred;
- (4) for purposes of determining compliance with this covenant, with respect to Indebtedness Incurred under a Credit Facility, re-borrowings of amounts previously repaid pursuant to “cash sweep” or “clean down” provisions or any similar provisions under a Credit Facility that provide that Indebtedness is deemed to be repaid periodically shall only be deemed for the purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred and not on the date of any subsequent re-borrowing thereof;
- (5) in the case of any Refinancing Indebtedness, when measuring the outstanding amount of such Indebtedness, such amount shall not include any amounts necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (6) Guarantees of, or obligations in respect of letters of credit, bankers’ acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (7) if obligations in respect of letters of credit, bankers’ acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to any clause of the second paragraph above or the first paragraph above and the letters of credit, bankers’ acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (8) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

- (9) in the event that the Company or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (29) of the definition of “*Permitted Liens*,” the Incurrence or issuance thereof for all purposes under the Senior Notes Indenture, including without limitation for purposes of calculating the Fixed Charge Coverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, or usage of clauses (1) through (20) of the preceding paragraph (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers’ acceptances thereunder) will, at the Company’s option, either (a) be determined on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof has been borrowed as of such date) or other Indebtedness, Disqualified Stock or Preferred Stock, and, if such Fixed Charge Coverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, test or other provision of the Senior Notes Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers’ acceptances thereunder) will be permitted under this covenant irrespective of the Fixed Charge Coverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, or other provision of the Senior Notes Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers’ acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers’ acceptances) on a date pursuant to the operation of this clause (a) shall be the “*Reserved Indebtedness Amount*” as of such date for purposes of the Fixed Charge Coverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, and, to the extent of the usage of clauses (1) through (20) of the preceding paragraph (if any), shall be deemed to be Incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, the Company may revoke such determination at any time and from time to time;
- (10) in the event that the Company or a Restricted Subsidiary (x) Incurs Indebtedness to finance an acquisition, (y) assumes Indebtedness of Persons that are acquired by the Company or any Restricted Subsidiary or merged into the Company or a Restricted Subsidiary in accordance with the terms of the Senior Notes Indenture or (z) is subject to a Change of Control, the date of determination of the Fixed Charge Coverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, shall, at the option of the Company, be (a) the date that a definitive agreement for such acquisition or Change of Control is entered into and the Fixed Charge Coverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, shall be calculated giving pro forma effect to such acquisition, Change of Control and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) consistent with the definition of the Fixed Charge Coverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, and, for the avoidance of doubt, (A) if any such ratios are exceeded as a result of fluctuations in such ratio (including due to fluctuations in the Consolidated EBITDA of the Company or the target company) at or prior to the consummation of the relevant acquisition or Change of Control, such ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether such acquisition and any related transactions are permitted hereunder and (B) such ratios shall not be tested at the time of consummation of such acquisition or related transactions; *provided* that if the Company elects to have such determinations occur at the time of entry into such definitive agreement, (i) any such transaction shall be deemed to have occurred on the date the definitive agreement is entered into and to be outstanding thereafter for purposes of calculating any ratios under the Senior Notes Indenture after the date of such agreement and before the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition and (ii) to the extent any covenant baskets were utilized in satisfying any covenants, such baskets shall be deemed utilized until the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition, but any calculation of Consolidated EBITDA for purposes of other Incurrences of Indebtedness or Liens or making of Restricted Payments (not related to such acquisition) shall not reflect such acquisition until it has been consummated or (b) the date such Indebtedness is Incurred or assumed or such Change of Control occurs;
- (11) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on a clause of the second paragraph of this covenant measured by reference to a percentage of LTM EBITDA at the time of Incurrence, if such refinancing would cause the percentage of LTM EBITDA restriction to be exceeded if calculated

based on the percentage of LTM EBITDA on the date of such refinancing, such percentage of LTM EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus premiums (including tender premiums), defeasance, costs and fees in connection with such refinancing; and

- (12) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares or Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this “*Limitation on Indebtedness*.”

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this “*Limitation on Indebtedness*,” the Company shall be in default of this covenant).

For purposes of determining compliance with any Euro-denominated restriction on the Incurrence of Indebtedness, the Euro equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term debt, or first committed or first Incurred (whichever yields the lower Euro equivalent), in the case of revolving credit debt; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed (a) the principal amount of such Indebtedness being refinanced plus (b) the aggregate amount of fees, underwriting discounts, accrued and unpaid interest, premiums (including tender premiums) and other costs and expenses (including original issue discount, upfront fees or similar fees) Incurred in connection with such refinancing.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

#### ***Limitation on Restricted Payments***

The Company will not, and will not permit any of the Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any distribution on or in respect of the Company’s or any Restricted Subsidiary’s Capital Stock (including any such payment in connection with any merger or consolidation involving the Company or any of the Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding;
  - (b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of the Company or any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a *pro rata* basis); and
  - (c) dividends or distributions payable to any Parent Entity to fund interest payments in respect of Indebtedness of such Parent Entity which is Guaranteed by the Company or any Restricted Subsidiary or is otherwise considered Indebtedness of the Company or any Restricted Subsidiary (*provided* that (x) any net proceeds from such Indebtedness are contributed to the equity of the



Company or any Restricted Subsidiary in any form or otherwise received by the Company or any Restricted Subsidiary; (y) any net proceeds described in subclause (x) above shall be excluded for purposes of increasing the amount available for distribution pursuant to clause (c) of this paragraph and shall not be Excluded Contributions or Excluded Amounts; and (z) in the case that any net proceeds described in subclause (x) above are contributed to the Company or the Restricted Subsidiaries in the form of Indebtedness, there shall be no double-counting of interest paid on such Indebtedness and any dividends or distributions payable to the relevant Parent Entity to fund interest payments in respect of Indebtedness of such Parent Entity;

- (2) purchase, repurchase, redeem, retire or otherwise acquire or retire for value any Capital Stock of the Company or any Parent Entity held by Persons other than the Company or a Restricted Subsidiary;
- (3) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such purchase, repurchase, redemption, defeasance or other acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”);
- (4) make any payment (whether of principal, interest or other amounts) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

- (5) make any Restricted Investment,

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a “*Restricted Payment*”), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

- (a) an Event of Default shall have occurred and be continuing (or would immediately thereafter result therefrom);
- (b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the “—*Limitation on Indebtedness*” covenant immediately after giving effect, on a pro forma basis, to such Restricted Payment; or
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments (as defined below) made pursuant to clauses (1) and (10) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph) would exceed the sum of (without duplication):
  - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from July 1, 2017, to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit); *plus*
  - (ii) 100% of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received by the Company from the issue or sale of its Subordinated Shareholder Funding or Capital Stock or as the result of a merger or consolidation with another Person subsequent to the Issue Date or otherwise contributed to the equity (in each case other than through the issuance of Disqualified Stock or Designated Preferred Stock) of the Company subsequent to the Issue Date (other than (u) any Shareholder Contribution, (v) Subordinated Shareholder Funding or Capital Stock sold to a Subsidiary of the Company, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of their employees to the extent funded by the Company or any Restricted Subsidiary, (x) cash or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph, (y) Excluded Contributions and (z) Excluded Amounts); *plus*



- (iii) 100% of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than (x) any Shareholder Contribution, (y) Subordinated Shareholder Funding or (z) Capital Stock sold to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of their employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness, Disqualified Stock or Designated Preferred Stock that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preferred Stock) plus, without duplication, the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange; *plus*
- (iv) 100% of the aggregate amount received in cash and the fair market value, as determined in good faith by the Company, of marketable securities or other property received by the Company or any Restricted Subsidiary by means of: (i) the sale or other disposition (other than to the Company or a Restricted Subsidiary) of Restricted Investments made by the Company or the Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Company or the Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments by the Company or the Restricted Subsidiaries, in each case after the Issue Date; or (ii) the sale (other than to the Company or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary or a dividend from a Person that is not a Restricted Subsidiary after the Issue Date (in each case, other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (17) of the next succeeding paragraph and will increase the amount available under the applicable clause of the definition of “Permitted Investment” or clause (17) of the next succeeding paragraph, as the case may be); *plus*
- (v) in the case of the re-designation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into the Company or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to the Company or a Restricted Subsidiary after the Issue Date, the fair market value of the Investment in such Unrestricted Subsidiary (or the assets transferred), as determined in good faith by the Company at the time of the re-designation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, amalgamation or consolidation or transfer of assets (after taking into consideration any Indebtedness associated with the Unrestricted Subsidiary so designated or merged, amalgamated or consolidated or Indebtedness associated with the assets so transferred), other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (17) of the next succeeding paragraph and will increase the amount available under the applicable clause of the definition of “Permitted Investment” or clause (17) of the next succeeding paragraph, as the case may be; *plus*
- (vi) €60.0 million,

*provided* that notwithstanding the foregoing, any amounts (such amounts, “*Excluded Amounts*”) that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (ii) or (iii) of the preceding clause (c) will be excluded to the extent the purpose of the receipt of such cash, property or assets or marketable securities was used to reduce the Consolidated Total Net Leverage Ratio of the Company and as a result thereof a Change of Control Triggering Event that would otherwise have occurred without the receipt of such cash, property or assets or marketable securities did not occur.

The foregoing provisions will not prohibit any of the following (collectively, “*Permitted Payments*”):

- (1) the payment of any dividend or distribution within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of the Senior Notes Indenture, or the redemption, repurchase or retirement of Indebtedness if, at the date of any redemption notice, such payment would have complied with the provisions of the Senior Notes Indenture as if it were and is deemed at such time to be a Restricted Payment at the time of such notice;

- (2) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock (“*Treasury Capital Stock*”) or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Subordinated Shareholder Funding or Capital Stock of the Company (other than Disqualified Stock or Designated Preferred Stock) (“*Refunding Capital Stock*”) or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock, any Shareholder Contribution or through an Excluded Contribution or Excluded Amounts) of the Company; *provided* that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Subordinated Shareholder Funding or Capital Stock or such contribution will be excluded from clause (c) of the preceding paragraph and (b) if immediately prior to the retirement of Treasury Capital Stock, the declaration and payment of dividends thereon was permitted under clause (13) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Capital Stock of a Parent Entity) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (5) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness (other than Subordinated Shareholder Funding) or Disqualified Stock or Preferred Stock of a Restricted Subsidiary:
  - (a) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*” below, but only if (and to the extent required) the Company shall have first complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Senior Notes tendered pursuant to any offer to repurchase all the Senior Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock;
  - (b) to the extent required by the agreement governing such Subordinated Indebtedness, Disqualified Stock or Preferred Stock, following the occurrence of (i) a Change of Control (or other similar event described therein as a “change of control”) or (ii) an Asset Disposition (or other similar event described therein as an “asset disposition” or “asset sale”), but only if (and to the extent required) the Company shall have first complied with the terms described under “*Change of Control*” or “—*Limitation on Sales of Assets and Subsidiary Stock*,” as applicable, and purchased all Senior Notes tendered pursuant to the offer to repurchase all the Senior Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock; or
  - (c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition);
- (6) a Restricted Payment to pay for the repurchase, retirement or other acquisition or retirement for value of Capital Stock (including any options, warrants or other rights in respect thereof) (other than Disqualified Stock) of the Company or any Parent Entity held by any future, present or former employee, director or consultant of the Company, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, trusts or heirs of such employee, director, contractor or

consultant) either pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or upon the termination of such employee, director, contractor or consultant's employment or directorship; *provided, however*, that the aggregate Restricted Payments made under this clause (6) do not exceed (x) €20.0 million in any calendar year (with unused amounts in any calendar year being carried forward to the next succeeding calendar year and amounts that will not be used in the subsequent calendar year being carried back to the immediately preceding calendar year) or (y) subsequent to the consummation of an underwritten public Equity Offering of common stock of the Company or any Parent Entity, €40.0 million in any calendar year (with unused amounts in any calendar year being carried forward to the next succeeding calendar year and amounts that will not be used in the subsequent calendar year being carried back to the immediately preceding calendar year); *provided further* that such amount in any calendar year may be increased by an amount not to exceed:

- (a) the cash proceeds from the issuance or sale of Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock or Designated Preferred Stock, any Shareholder Contribution or Excluded Contributions or Excluded Amounts) of the Company and, to the extent contributed to the capital of the Company (other than through the issuance of Disqualified Stock or Designated Preferred Stock, any Shareholder Contribution or an Excluded Contribution or Excluded Amounts), Subordinated Shareholder Funding or Capital Stock of any Parent Entity, in each case to members of management, directors or consultants of the Company, any of its Subsidiaries or any Parent Entity that occurred after the Issue Date, to the extent the cash proceeds from the sale of such Capital Stock or Subordinated Shareholder Funding have not otherwise been applied to the payment of Restricted Payments by virtue of clause (c) of the preceding paragraph; *plus*
- (b) the cash proceeds of key man life insurance policies received by the Company and the Restricted Subsidiaries after the Issue Date,

and *provided yet further* that cancellation of Indebtedness owing to the Company or any Restricted Subsidiary from any future, present or former members of management, directors, employees, contractors or consultants of the Company or Restricted Subsidiaries or any Parent Entity in connection with a repurchase of Capital Stock of the Company or any Parent Entity will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Senior Notes Indenture;

- (7) the declaration and payment of dividends on Disqualified Stock or Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*” above;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise, conversion or exchange of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof or withholding or similar taxes in respect thereof and payments in respect of withholding or similar taxes payable upon exercise or vesting thereof;
- (9) dividends, loans, advances or distributions to any Parent Entity or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):
  - (a) the amounts required for any Parent Entity to pay any Parent Entity Expenses or any Related Taxes;
  - (b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (5), (11), (12), (17)(a) (but only in respect of the parenthetical thereto) and (17)(c) of the second paragraph under “—*Limitation on Affiliate Transactions*,” provided that any such dividends, loans, advances or distributions to make payments in respect of annual management fees specified in paragraph (11)(A) of the second paragraph under “—*Limitation on Affiliate Transactions*” below and made pursuant to this clause (9)(b) shall not exceed an aggregate amount equal to the greater of (x) €10.0 million and (y) 2.0% of LTM EBITDA per calendar year (with unused amounts in any calendar year being carried forward to the next succeeding calendar year and amounts that will not be used in the subsequent calendar year being carried back to the immediately preceding calendar year); and

- (c) up to €10.0 million per calendar year (with unused amounts in any calendar year being carried forward to the next succeeding calendar year and amounts that will not be used in the subsequent calendar year being carried back to the immediately preceding calendar year);
- (10) the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Capital Stock, common stock or common equity interests of the Company, any Parent Entity or any IPO Entity following a Public Offering of such Capital Stock, common stock or common equity interests; *provided* that the aggregate amount of all such dividends or distributions shall not exceed in any fiscal year the greater of: (a) 6% of the Net Cash Proceeds received from such Public Offering or subsequent Equity Offering by the Company or contributed to the capital of the Company by any Parent Entity in any form other than Indebtedness, any Shareholder Contribution or Excluded Contributions or Excluded Amounts; and (b) following an Initial Public Offering, an amount equal to (i) where, after giving pro forma effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Leverage Ratio shall be equal to or less than 4.75 to 1.00, the greater of (x) 7% of the Market Capitalization and (y) 7% of the IPO Market Capitalization; and (ii) where, after giving pro forma effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Leverage Ratio shall be greater than 4.75 to 1.00, but equal to or less than 5.00:1.00, the greater of (x) 5% of the Market Capitalization and (y) 5% of the IPO Market Capitalization;
- (11) payments by the Company, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Company or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Company);
- (12) Restricted Payments that are made with Excluded Contributions;
- (13) the declaration and payment of dividends (i) on Designated Preferred Stock of the Company issued after the Issue Date; (ii) to a Parent Entity in an amount sufficient to allow the Parent Entity to pay dividends to holders of its Designated Preferred Stock issued after the Issue Date; and (iii) on Refunding Capital Stock that is Preferred Stock; *provided, however*, that, in the case of clauses (i) and (ii) of this clause (13), the amount of all dividends declared or paid to a Person pursuant to such clauses shall not exceed the cash proceeds received by the Company or the aggregate amount contributed as Subordinated Shareholder Funding or in cash to the equity of the Company (other than through the issuance of Disqualified Stock, any Shareholder Contribution or an Excluded Contribution or Excluded Amounts), from the issuance or sale of such Designated Preferred Stock; provided further, in the case of clauses (i), (ii) and (iii) of this clause (13), that for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock or declaration of such dividends on such Refunding Capital Stock, after giving effect to such payment on a pro forma basis the Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the test set forth in the first paragraph of the covenant described under “—*Limitation on Indebtedness*”;
- (14) distributions, by dividend or otherwise, or other transfer or disposition of shares of Capital Stock, of equity interests in, or Indebtedness owed to the Company or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, substantially all the assets of which are cash and Cash Equivalents) or proceeds thereof;
- (15) distributions or payments of Securitization Fees, sales contributions and other transfers of Securitization Assets or Receivables Assets and purchases of Securitization Assets or Receivables Assets pursuant to a Securitization Repurchase Obligation, in each case in connection with a Qualified Securitization Financing or Receivables Facility;
- (16) any Restricted Payment made in connection with the Transactions, including payments to Minority Shareholders under the Domination Agreement, and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto or used to fund amounts owed to Affiliates in connection with the Transactions (including dividends to any Parent Entity to permit payment by such Parent Entity of such amounts);
- (17) so long as no Event of Default has occurred and is continuing (i) Restricted Payments (including loans or advances) in an aggregate amount outstanding at the time made not to exceed the greater of



- (a) €150.0 million and (b) 30.0% of LTM EBITDA at such time, and (ii) any Restricted Payments, so long as, immediately after giving pro forma effect to the payment of any such Restricted Payment and the Incurrence of any Indebtedness the net proceeds of which are used to make such Restricted Payment, the Consolidated Total Net Leverage Ratio shall be no greater than 4.95 to 1.00;
- (18) mandatory redemptions of Disqualified Stock issued as a Restricted Payment or as consideration for a Permitted Investment;
- (19) the redemption, defeasance, repurchase, exchange or other acquisition or retirement of Subordinated Indebtedness of the Company or any Guarantor in an aggregate amount at any time outstanding taken together with all other redemptions, defeasances, repurchases, exchanges or other acquisitions or retirements of Subordinated Indebtedness made pursuant to this clause not to exceed the greater of (a) €75.0 million and (b) 15.0% of LTM EBITDA at the time of such redemption, defeasance, repurchase, exchange or other acquisition or retirement of Subordinated Indebtedness;
- (20) payments or distributions to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Company and the Restricted Subsidiaries, taken as a whole, that complies with the covenants described under “*Merger and Consolidation*”;
- (21) Restricted Payments to a Parent Entity to finance Investments that would otherwise be permitted to be made pursuant to this covenant if made by the Company; *provided* that (a) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (b) such Parent Entity shall, promptly following the closing thereof, cause (i) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Company or one of the Restricted Subsidiaries or (ii) the merger or amalgamation of the Person formed or acquired into the Company or one of the Restricted Subsidiaries (to the extent not prohibited by the covenant “*Merger and Consolidation*”) to consummate such Investment, (c) such Parent Entity and its Affiliates (other than the Company or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Company or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Senior Notes Indenture, (d) any property received by the Company shall not increase amounts available for Restricted Payments pursuant to clause (c) of the preceding paragraph, clauses (2) or (6) above or be deemed to be an Excluded Contribution or an Excluded Amount and (e) such Investment shall be deemed to be made by the Company or such Restricted Subsidiary pursuant to another provision of this covenant (other than pursuant to clause (12) hereof) or pursuant to the definition of “Permitted Investments” (other than pursuant to clause (12) thereof);
- (22) the Guarantee by the Company and any Guarantor of such Indebtedness of a Parent Entity so long as such Guarantee has been incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*”;
- (23) any Restricted Payment made with Net Available Cash from any Asset Disposition and permitted pursuant to clause (3) of the first paragraph under “—*Limitation on Sales of Assets and Subsidiary Stock*”;
- (24) any dividends, repayments of equity, reductions of capital or any other distribution by any Restricted Subsidiary to any other company that is a member of the same fiscal unity (*fiscale eenheid*) for Dutch corporate income tax or value added tax purposes; and
- (25) any dividends, repayments of equity, reductions of capital, loans or any other distribution (a “*tax distribution*”) by the Company or any Restricted Subsidiary to any Parent Entity that is a member of the same fiscal unity (*steuerliche Organschaft*) for German corporate income tax and trade tax purposes; *provided* that (a) where payments under a German fiscal unity are required to be made by any Parent Entity to cover Taxes on a consolidated basis on behalf of the Company and the Restricted Subsidiaries, a tax distribution shall be made in cash to such Parent Entity in accordance with the definition of Permitted Tax Distribution; and (b) the remainder of such tax distribution in excess of the amount permitted pursuant to clause (a) above shall not be paid to such Parent Entity in cash, but instead will be converted into an intercompany loan made by such Parent Entity to the Company which constitutes Subordinated Liabilities (as defined in the Intercreditor Agreement).



For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (25) above, and/or is permitted pursuant to the first paragraph of this covenant and/or constitutes a Permitted Investment, the Company will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment, property or assets other than cash shall be determined conclusively by the Company acting in good faith.

Unrestricted Subsidiaries may use value transferred from the Company and the Restricted Subsidiaries in a Permitted Investment to purchase or otherwise acquire Indebtedness or Capital Stock of the Company, any Parent Entity or any of the Company's Restricted Subsidiaries, and to transfer value to the holders of the Capital Stock or any Parent Entity and to Affiliates thereof, and such purchase, acquisition, or transfer will not be deemed to be a "direct or indirect" action by the Company or the Restricted Subsidiaries.

#### ***Limitation on Liens***

The Company will not, and the Company will not permit any Restricted Subsidiary or Parentco to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary and, in the case of Parentco, limited in all respects to those of its assets constituting Senior Notes Collateral), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), except (a) in the case of any property or asset that does not constitute Senior Notes Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Notes, the Senior Notes Guarantees and the Senior Notes Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, or equal with, or prior to, in the case of Liens with respect to Pari Passu Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Senior Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Notes, the Senior Notes Guarantees and the Senior Notes Indenture under (a)(2) in the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and/or under the relevant Senior Notes Security Document.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "Increased Amount" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

#### ***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Company will not, and will not permit any Restricted Subsidiary to create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary;
- (B) make any loans or advances to the Company or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary,

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Facilities), (b) the Intercreditor Agreement and any Additional Intercreditor Agreement and (c) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;
- (2) any encumbrance or restriction pursuant to the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Security Documents, the Senior Secured Notes Guarantees, the Senior Notes Indenture, the Senior Notes, the Senior Notes Guarantees or the Senior Notes Security Documents;
- (3) any encumbrance or restriction pursuant to applicable law, rule, regulation or order;
- (4) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary or entered into in contemplation of or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause, if another Person is the Successor Company (as defined below), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;
- (5) any encumbrance, restriction or condition:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract or agreement, or the assignment or transfer of any lease, license or other contract or agreement;
  - (b) contained in mortgages, pledges, charges or other security agreements permitted under the Senior Notes Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Senior Notes Indenture to the extent such encumbrances or restrictions restrict the transfer or encumbrance of the property or assets subject to such mortgages, pledges, charges or other security agreements;
  - (c) contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Company or any of the Restricted Subsidiaries is a party entered into in the ordinary course of business or consistent with past practice; *provided* that such agreement prohibits the encumbrance of solely the property or assets of the Company or such Restricted Subsidiary that are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Company or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary; or
  - (d) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;
- (6) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired;
- (7) any encumbrance or restriction imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of the Company or any Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

- (8) customary provisions in leases, licenses, shareholder agreements, joint venture agreements and other similar agreements, organizational documents and instruments;
- (9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, licensing requirement or order, or required by any regulatory authority;
- (10) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business or consistent with past practice;
- (11) any encumbrance or restriction pursuant to Hedging Obligations;
- (12) restrictions created in connection with any Qualified Securitization Financing or Receivables Facility that, in the good faith determination of the Company, are necessary or advisable to effect such Securitization Facility or Receivables Facility;
- (13) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders (taken as a whole) than (i) the encumbrances and restrictions contained in (A) the Senior Facilities or the Senior Secured Notes Indenture, together with the Senior Secured Security Documents associated therewith, and (B) the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Company) and where, in the case of this sub-clause (ii), either (x) the Company determines at the time of entry into such agreement or instrument that such encumbrances or restrictions will not adversely affect, in any material respect, the Company’s ability to make principal or interest payments on the Senior Notes or (y) such encumbrance or restriction applies only during the continuance of a default relating to such agreement or instrument, or (b) constituting an Additional Intercreditor Agreement;
- (14) any encumbrance or restriction existing by reason of any lien permitted under “—*Limitation on Liens*”; or
- (15) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (1) to (14) of this paragraph or this clause (an “*Initial Agreement*”) or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) to (14) of this paragraph or this clause (15); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders (taken as a whole) than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Company).

#### ***Limitation on Sales of Assets and Subsidiary Stock***

The Company will not, and will not permit any of the Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);
- (2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), with a purchase price in excess of the greater of (a) €50.0 million and (b) 10.0% of LTM EBITDA, at least 75% of the consideration from such Asset Disposition (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied:

- (a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of the Company or a Restricted Subsidiary), within 541 days from the later of (1) the date of such Asset Disposition and (2) the receipt of such Net Available Cash, (A) to prepay, repay or purchase any Indebtedness of the Company or a Restricted Subsidiary that is not a Guarantor (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary) or any Senior Indebtedness; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be reduced in an amount equal to the principal amount so prepaid, repaid or purchased, (B) to repay, prepay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment or purchase so long as the Company or such Restricted Subsidiary also makes an offer to the Holders to redeem or purchase any Senior Notes held by such Holder at a price not less than par, in each case, on a *pro rata* basis with any such other Pari Passu Indebtedness that is repaid, prepaid or purchased or (C) to redeem or purchase Senior Notes; or
- (b) to the extent the Company or any Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary equal to the amount of Net Available Cash received by the Company or another Restricted Subsidiary) within 541 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that a binding agreement shall be treated as a permitted application of Net Available Cash from the date of such commitment with the good faith expectation that an amount equal to Net Available Cash will be applied to satisfy such commitment within 180 days of such commitment (an “*Acceptable Commitment*”) and, in the event any Acceptable Commitment is later cancelled or terminated for any reason before such amount is applied, then such Net Available Cash shall constitute Excess Proceeds,

*provided further* that, pending the final application of the amount of any such Net Available Cash in accordance with clause (a) or (b) above, the Company and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise use such Net Available Cash in any manner not prohibited by the Senior Notes Indenture.

Notwithstanding the foregoing, to the extent that (x) a distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Company or another Restricted Subsidiary (to the extent necessary to comply with this covenant) is prohibited or delayed by applicable local law (including financial assistance and corporate benefit restrictions and fiduciary and statutory duties of the relevant directors) or (y) a distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Company or another Restricted Subsidiary (to the extent necessary to comply with this covenant) could result in material adverse Tax consequences, as determined by the Company in its sole discretion, the portion of such Net Available Cash so affected will not be required to be applied in compliance with this covenant.

The amount of any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the first paragraph of this covenant will be deemed to constitute “*Excess Proceeds*” under the Senior Notes Indenture. On the 542<sup>nd</sup> day (or such longer period permitted by clause (b) of the first paragraph of this covenant) after the later of an Asset Disposition or the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds under the Senior Notes Indenture exceeds €50.0 million in a single transaction, the Company will within 10 Business Days be required to make an offer (“*Asset Disposition Offer*”) to all Holders issued under the Senior Notes Indenture and, to the extent the Company elects, to all holders of other outstanding Pari Passu Indebtedness, to repay, prepay or purchase the maximum aggregate principal amount of Senior Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be repaid, prepaid or purchased out of the Excess Proceeds, at an offer price in respect of the Senior Notes in an amount equal to 100% of the principal amount of the Senior Notes (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of repayment, prepayment or purchase, in accordance with the procedures set forth in the Senior Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and with respect to the



Senior Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Company will deliver notice of such Asset Disposition Offer electronically or by first-class mail, with a copy to the Trustee, the Paying Agent and each Holder at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, describing the transaction or transactions that constitute the Asset Disposition and offering to repurchase the Senior Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Senior Notes Indenture and described in such notice. The Company may satisfy the foregoing obligations with respect to any Net Available Cash from an Asset Disposition by making an Asset Disposition Offer with respect to all Net Available Cash prior to the expiration of the relevant 360 days (or such longer period provided above) or with respect to any unapplied Excess Proceeds.

To the extent that the aggregate amount of Senior Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for any purpose not prohibited by the Senior Notes Indenture. If the aggregate principal amount of the Senior Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Company shall allocate the Excess Proceeds among the Senior Notes and Pari Passu Indebtedness to be repaid, prepaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Notes and Pari Passu Indebtedness provided that the Issuer shall not be required to select and purchase Senior Notes or other Pari Passu Indebtedness in an unauthorized denomination. Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior Notes is denominated in a currency other than Euro, the amount thereof payable in respect of the Senior Notes shall not exceed the net amount of funds in Euro that is actually received by the Company upon converting such portion into Euros.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness or other liabilities, contingent or otherwise, of the Company or a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or a Guarantor) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness or other liability in connection with such Asset Disposition;
- (2) securities, notes or other obligations received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;
- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Company (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of (a) €100.0 million and (b) 20.0% of LTM EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

To the extent that the provisions of any securities laws or regulations, including Rule 14e-1 under the Exchange Act, conflict with the provisions of the Senior Notes Indenture, the Company will comply with the applicable securities laws, rules and regulations and shall not be deemed to have breached its obligations described in the Senior Notes Indenture by virtue thereof.

Notwithstanding any other provision in the Senior Notes Indenture to the contrary, the provisions of the Senior Notes Indenture relative to the Company's obligation to make an offer to repurchase the Senior



Notes as a result of an Asset Disposition may be waived or modified with the written consent of the Holders of a majority in principal amount of the Senior Notes then outstanding.

The Senior Facilities and the Senior Secured Notes Indenture may prohibit or limit, and future credit agreements or other agreements to which the Company becomes a party may prohibit or limit, the Company from purchasing any Senior Notes pursuant to this covenant. In the event the Company is prohibited from purchasing the Senior Notes, the Company could seek the consent of its lenders to the purchase of the Senior Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain such consent or repay such borrowings, it will remain prohibited from purchasing the Senior Notes under such instruments.

#### ***Limitation on Affiliate Transactions***

The Company will not, and will not permit any Restricted Subsidiary to enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (any such transaction or series of related transactions being an “*Affiliate Transaction*”) involving aggregate value in excess of the greater of (i) €37.5 million and (ii) 7.5% of LTM EBITDA unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of (a) €75.0 million and (b) 15.0% of LTM EBITDA, the terms of such Affiliate Transaction have been approved by a majority of the members of the Board of Directors of the Company.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) above if such Affiliate Transaction is approved by a majority of the Disinterested Directors of the Company, if any.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Limitation on Restricted Payments*,” or any Permitted Investment;
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business or consistent with past practice;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any (a) transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries and (b) merger, amalgamation or consolidation with any Parent Entity, *provided* that such Parent Entity shall have no material liabilities and no material assets other than cash, Cash Equivalents and the Capital Stock of the Company and such merger, amalgamation or consolidation is otherwise permitted under the Senior Notes Indenture;
- (5) the payment of compensation, fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, contractors, consultants, distributors or employees of the Company, any Parent Entity or any Restricted Subsidiary (whether directly or indirectly and including through any Controlled Investment Affiliate of such directors, officers, contractors, consultants, distributors or employees);

- (6) the entry into and performance of obligations of the Company or any of the Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders (taken as a whole) in any material respect;
- (7) any transaction with a Securitization Subsidiary effected as part of a Qualified Securitization Financing or Receivables Facility, any disposition or repurchase of Securitization Assets, Receivables Assets or related assets in connection with any Qualified Securitization Financing or Receivables Facility;
- (8) transactions with customers, clients, joint venture partners, suppliers, contractors, distributors or purchasers or sellers of goods or services, in each case in the ordinary course of business or consistent with past practice, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Company or the senior management of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity which would constitute an Affiliate Transaction solely (i) because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity or (ii) due to the fact that a director of such Person is also a director of the Company or any direct or indirect Parent Entity of the Company (*provided, however*, that such director abstains from voting as a director of the Company or such direct or indirect Parent Entity of the Company, as the case may be, on any matter involving such other Person);
- (10) any (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and the granting of registration and other customary rights (and the performance of the related obligations) in connection therewith or any contribution to capital of the Company or any Restricted Subsidiary and (b) amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable; *provided* that such Subordinated Shareholder Funding, as amended or otherwise modified, will continue to satisfy the requirements described in the definition of “*Subordinated Shareholder Funding*”;
- (11) (a) any payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly), including to its affiliates or its designees, of annual management, consulting, monitoring, refinancing, transaction, subsequent transaction exit fees, advisory fees and related costs and reasonable expenses and indemnitees in connection therewith and any termination fees (including any such cash lump sum or present value fee upon the consummation of a corporate event, including an Initial Public Offering) and (b) any customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which are in the case of each of clauses (a) and (b) approved by a majority of the Board of Directors of the Company in good faith;
- (12) payment to any Permitted Holder of all out of pocket expenses incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries;
- (13) the Transactions and the payment of all costs and expenses (including all legal, accounting and other professional fees and expenses) related to the Transactions;
- (14) transactions in which the Company or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (1) of the preceding paragraph;

- (15) the existence of, or the performance by the Company or any Restricted Subsidiary of its obligations under the terms of, any equityholders agreement (including any registration rights agreement or purchase agreements related thereto) to which it is party as of the Issue Date, and any similar agreement that it may enter into thereafter; *provided, however*, that the existence of, or the performance by the Company or any Restricted Subsidiary of its obligations under any future amendment to the equityholders' agreement or under any similar agreement entered into after the Issue Date will only be permitted under this clause to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous to the Holders (taken as a whole) in any material respect as determined in good faith by the Company;
- (16) any purchases by the Company's Affiliates of Indebtedness or Disqualified Stock of the Company or any of the Restricted Subsidiaries the majority of which Indebtedness or Disqualified Stock is purchased by Persons who are not the Company's Affiliates; *provided* that such purchases by the Company's Affiliates are on the same terms as such purchases by such Persons who are not the Company's Affiliates;
- (17) any (a) Investments by Affiliates in securities of the Company or any of the Restricted Subsidiaries (and payment of reasonable out-of-pocket expenses Incurred by such Affiliates in connection therewith) so long as the Investment is being offered by the Company or such Restricted Subsidiary generally to other non-affiliated third party investors on the same or more favorable terms; (b) payments to Affiliates in respect of securities of the Company or any of the Restricted Subsidiaries contemplated in the foregoing clause (17)(a) or that were acquired from Persons other than the Company and the Restricted Subsidiaries, in each case, in accordance with the terms of such securities; and (c)(i) acquisition by Affiliates of Target Shares from Persons other than the Company or any of the Restricted Subsidiaries and (ii) Acquisition of such Target Shares by the Company, the Senior Secured Notes Issuer or German Holdco from such Affiliates (and payment of reasonable out-of-pocket expenses Incurred by such Affiliates in connection with the purchase and sale to the Company, the Senior Secured Notes Issuer or German Holdco of such Target Shares);
- (18) payments by any Parent Entity, the Company and/or the Restricted Subsidiaries pursuant to any tax sharing agreements or other equity agreements in respect of Related Taxes among any such Parent Entity, the Company and/or the Restricted Subsidiaries on customary terms to the extent attributable to the ownership or operation of the Company and its Subsidiaries;
- (19) payments, Indebtedness and Disqualified Stock (and cancellation of any thereof) of the Company and the Restricted Subsidiaries and Preferred Stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company, any of its Subsidiaries or any of its Parent Entities pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors, officers, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) that are, in each case, approved by the Company in good faith;
- (20) employment and severance arrangements between the Company or the Restricted Subsidiaries and their respective officers, directors, contractors, consultants, distributors and employees in the ordinary course of business or entered into in connection with or as a result of the Transactions;
- (21) any transition services arrangement, supply arrangement or similar arrangement entered into in connection with or in contemplation of the disposition of assets or Capital Stock in any Restricted Subsidiary permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" or entered into with any Business Successor, in each case, that the Company determines in good faith is either fair to the Company or otherwise on customary terms for such type of arrangements in connection with similar transactions;
- (22) transactions entered into by an Unrestricted Subsidiary with an Affiliate prior to the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described under "*—Designation of Restricted and Unrestricted Subsidiaries*" and pledges of Capital Stock of Unrestricted Subsidiaries;

- (23) any lease entered into between the Company or any Restricted Subsidiary, as lessee, and any Affiliate of the Company that is not a Restricted Subsidiary, as lessor, which is approved by a majority of the members of the Board of Directors of the Company;
- (24) intellectual property licenses in the ordinary course of business or consistent with past practice;
- (25) payments to or from, and transactions with, any joint venture in the ordinary course of business or consistent with past practice (including any cash management activities related thereto);
- (26) the payment of costs and expenses related to registration rights and customary indemnities provided to shareholders under any shareholder agreement; and
- (27) any Permitted Tax Restructuring.

#### ***Designation of Restricted and Unrestricted Subsidiaries***

The Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary and any Unrestricted Subsidiary to be a Restricted Subsidiary, in each case, if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Company and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments pursuant to the covenant described under “—*Limitation on Restricted Payments*” or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Senior Notes Indenture and any Indebtedness of such Subsidiary will be deemed to be Incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under “—*Limitation on Indebtedness*,” the Company will be in default of such covenant.

If an Unrestricted Subsidiary is designated as a Restricted Subsidiary, that designation will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under “—*Limitation on Indebtedness*” (including pursuant to clause (5) of the second paragraph thereof, treating such designation as an acquisition for the purpose of such clause), calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence immediately following such designation. Any such designation by the Company or the re-designation of an Unrestricted Subsidiary to a Restricted Subsidiary as contemplated hereby shall be evidenced to the Trustee on the date of such designation or re-designation by filing with the Trustee an Officer’s Certificate certifying that such designation or re-designation complies with the preceding conditions.

#### ***Reports***

So long as any Senior Notes are outstanding, the Company will furnish to the Trustee the following reports following the Issue Date:

- (1) within 150 days after the end of the Company’s fiscal year ending December 31, 2017, and within 120 days after the end of the Company’s fiscal years thereafter, beginning with the fiscal year ending December 31, 2017, annual reports containing: (i) the audited consolidated balance sheet of the Company as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Company for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (ii) an operating and financial review of the audited financial statements, including a discussion of the consolidated financial condition, results of operations, EBITDA and material changes in liquidity and capital resources of the Company; (iii) unaudited pro forma income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations (other than an Acquisition) that have occurred since the beginning of the most



recently completed fiscal year as to which such annual report relates (unless such pro forma information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials; (iv) a brief description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material debt instruments; *provided* that the information described in clause (iv) may be provided in the footnotes to the audited financial statements;

- (2) within 60 days (or, in the case of the fiscal quarter ended September 30, 2017, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Company, beginning with the quarter ended September 30, 2017, quarterly financial statements containing the following information: (i) the Company's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited pro forma income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials; (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, EBITDA and material changes in liquidity and capital resources of the Company; and
- (3) promptly after the occurrence of a material event that the Company announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Company and the Restricted Subsidiaries, taken as a whole, or a change in a senior executive officer of the Company or a change in auditors of the Company, a report containing a description of such event.

In addition, the Company shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Senior Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

All financial statement information (excluding, for the avoidance of doubt, the calculations made under any incurrence covenant, which shall be prepared in accordance with the terms of the Senior Notes Indenture) shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Company's pro forma consolidated revenue or LTM EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Company, then the quarterly and annual financial information required by the first paragraph of this "Reports" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In the event that (i) the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Company elects to provide to the Trustee reports which,



if filed with the SEC, would satisfy (in the good faith judgment of the Company) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Company will make available to the Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d).

All reports provided pursuant to this “*Reports*” covenant shall be in English, or with a certified English translation.

Subject to compliance with the next succeeding paragraph, in the event that, and for so long as, the equity securities of the Company, the Target or any Parent Entity or IPO Entity are listed on the Main Market of the London Stock Exchange (or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange) and the Company, the Target or such Parent Entity or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on the Main Market of the London Stock Exchange (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange), for so long as it elects, the Company will make available to the Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the London Stock Exchange (or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange) pursuant to such admission and disclosure standards (or the applicable standards of one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange, as applicable). Upon complying with the foregoing requirements, and *provided* that such requirements require the Company, the Target or any Parent Entity or IPO Entity to prepare and file annual reports, information, documents and other reports with the Main Market of the London Stock Exchange, or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange or the New York Stock Exchange, as applicable, the Company will be deemed to have complied with the provisions contained in the preceding paragraphs.

The Company may comply with any requirement to provide reports or financial statements under this covenant by providing any report or financial statements of a direct or indirect Parent Entity of the Company so long as such reports (if an annual, half yearly or quarterly report) (a) meet the requirements (including as to content and time of delivery) of this covenant as if references to the Company therein were references to such Parent Entity and (b) include condensed consolidated financial information together with separate columns for: (i) such Parent Entity; (ii) the Company and the Restricted Subsidiaries on a combined basis; (iii) any other Subsidiaries of the Parent Entity that are not the Company or Subsidiaries of the Company on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts. Upon complying with the foregoing requirement, the Company will be deemed to have complied with the provisions contained in the preceding paragraphs.

Notwithstanding the foregoing, for purposes of this covenant, the Company shall be permitted to use financial statements of the Target Group with respect to periods commencing prior to the Control Date; *provided* that the Company also provides separate columns (to the extent applicable) relating to the Company as described in clause (b) of the immediately preceding paragraph, and, when making any calculation required under the Senior Notes Indenture, includes the Indebtedness of the Company, as applicable.

#### ***Impairment of Security Interest***

The Company shall not, and shall not permit any Restricted Subsidiary or Parentco to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Senior Notes Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Senior Notes Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary or Parentco to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Senior Notes Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Senior Notes Collateral, *except*

that (i) the Company, Parentco and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Senior Notes Security Documents for the purposes of Incurring Permitted Collateral Liens, (ii) the Company, Parentco and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Senior Notes Security Documents for the purposes of undertaking a Permitted Reorganization, (iii) the Senior Notes Collateral may be discharged and released in accordance with the Senior Notes Indenture, the applicable Senior Notes Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Senior Notes Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, error or inconsistency therein and (v) the Company, Parentco and the Restricted Subsidiaries may amend the Security Interests in any manner that does not adversely affect Holders in any material respect; *provided, however*, that in the case of clause (i), (ii) and (v) above, the Senior Notes Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced pursuant to clause (i), (ii) or (v) above, unless contemporaneously with any such action, the Company delivers to the Trustee, either (1) a solvency opinion, in a form reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Company and its Subsidiaries, taken as a whole (or, in the case of any relevant action with respect to Senior Notes Security Documents to which Parentco is party as a security grantor, confirming the solvency of Parentco), after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in a form satisfactory to the Trustee, which confirms the solvency of the Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in a form reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Senior Notes Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Company, Parentco or an applicable Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications consent to any amendment, extension, renewal, restatement, supplement, release or other modification or replacement requested in accordance with this covenant without the need for instructions from any Holder.

#### *Additional Guarantees*

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Senior Facilities, any Credit Facility or any Public Debt, in each case of the Company or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee of such other Indebtedness is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture substantially in the form attached to the Senior Notes Indenture pursuant to which such Restricted Subsidiary will provide a Senior Notes Guarantee, which Senior Notes Guarantee will be subordinated to (in the case such Guarantee of such other Indebtedness constitutes Senior Indebtedness), *pari passu* with (in the case such Guarantee of such other Indebtedness constitutes *Pari Passu* Indebtedness) or senior to (in the case such Guarantee of such other Indebtedness constitutes Subordinated Indebtedness), as applicable, such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Senior Notes Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Company, any Senior Notes Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable

preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Senior Notes Guarantees granted pursuant to this provision shall be released as set forth under “*Senior Notes Guarantees—Senior Notes Guarantee Release.*” A Senior Notes Guarantee of a future Guarantor may also be released at the option of the Company if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Notes Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by, and at the cost of, the Company to effectuate any release of a Senior Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Senior Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in “*Risk Factors—Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*” and “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*”

#### ***Additional Intercreditor Agreements***

The Senior Notes Indenture will provide that, at the request of the Company, in connection with the Incurrence by the Company, Parentco or any Restricted Subsidiary of (x) any Indebtedness secured on Senior Notes Collateral or as otherwise required herein and (y) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an “*Additional Intercreditor Agreement*”) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders (taken as a whole)), including substantially the same terms with respect to release of Senior Notes Guarantees and priority and release of the Security Interests; *provided* that (1) such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or Security Agent under the Senior Notes Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement and (2) if more than one such intercreditor agreement is outstanding at any time, the correlative terms of such intercreditor agreements must not conflict.

The Senior Notes Indenture also will provide that, at the direction of the Company and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Company or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Notes (including Additional Senior Notes), (5) make provision for equal and ratable pledges of the Senior Notes Collateral to secure Additional Senior Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders (taken as a whole) in any material respect. The Company shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior Notes then outstanding, except as otherwise permitted below under “*Amendments and Waivers,*” and the Company may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, indemnities or

immunities under the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Notes Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—*Limitation on Restricted Payments*.”

The Senior Notes Indenture also will provide that each Holder, by accepting a Senior Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement and any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices.

#### ***Limitation on Activities of the Company***

The Company shall not carry on any business or own any material assets other than:

- (1) the Incurrence, Guarantee, offering, sale, issuance and servicing, listing, purchase, redemption, exchange, refinancing or retirement of Indebtedness (and guarantees thereof) permitted by the terms of the Senior Notes Indenture or performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under the Senior Notes Indenture, and the granting of any Liens permitted pursuant to the covenant described above under the caption “—*Limitation on Liens*”;
- (2) (i) rights and obligations arising under the Senior Notes Indenture, any Credit Facility, the Intercreditor Agreement (including any Additional Intercreditor Agreement) and the Senior Notes Security Documents or any other agreement of the Company and the Restricted Subsidiaries existing on the Issue Date or to which it is or becomes a party or (ii) undertaken with the purpose of, or directly related to, the fulfilling of any other obligations under any Indebtedness permitted by the Senior Notes Indenture;
- (3) the ownership of (i) cash and Cash Equivalents, (ii) the Capital Stock and other equity instruments of the Target or any direct or indirect parent company of the Target and intercompany loans made to the Target or any direct or indirect parent company or Subsidiary of the Target and (iii) other property, in each case to the extent contributed substantially concurrently to a Parent Entity to the extent such contribution is not prohibited by the terms of the Senior Notes Indenture;
- (4) making Investments in the Senior Notes (including any Additional Senior Notes) or any other Indebtedness to the extent such Investment is not prohibited by the terms of the Senior Notes Indenture;
- (5) (i) involving the provision of administrative, managerial, legal, treasury (including those related to overhead costs, paying filing fees and other ordinary course expenses (such as audit fees and Taxes), treasury services and cash pooling arrangements) and accounting services as to itself and as to its Subsidiaries of a type customarily provided by a holding Company to its Subsidiaries as to itself and the receipt of any amounts related thereto and (ii) the fulfilment of any periodic reporting requirements;
- (6) related or reasonably incidental to the establishment and/or maintenance of its and its Subsidiaries’ corporate existence;
- (7) the making or receipt (i) of any Restricted Payment, Permitted Payment or Permitted Investment permitted by the terms of the Senior Notes Indenture, (ii) any Asset Disposition permitted by the terms of the Senior Notes Indenture and (iii) an offering, issuance, sale or other disposition of its Capital Stock to a Parent Entity to the extent not otherwise prohibited by the terms of the Senior Notes Indenture;
- (8) relating to the lending of proceeds of Indebtedness and Equity Offerings to Restricted Subsidiaries, whether as Subordinated Shareholder Funding or otherwise;



- (9) conducting activities in preparation for, directly related to or reasonably incidental to, any Initial Public Offering, Equity Offering, Change of Control or asset disposition, including the maintenance of any listing of equity interests issued by an IPO Entity;
- (10) any liabilities or obligations in connection with any employee or participation scheme, including any management equity plan, incentive plan or other similar scheme operated by, for the benefit of, on behalf of or in respect of itself or any Restricted Subsidiary (and/or any current or past employees, directors or members of management thereof and any related corporate entity established for such purpose;
- (11) pursuant to or in connection with the Transactions or in the manner specifically contemplated in the Tax Structure Memorandum and any step or action taken (or relating to a step or action taken) by the Company in relation thereto prior to the Issue Date or pursuant to or in connection with any Permitted Holdco Transaction or Permitted Reorganization; or
- (12) other activities not specifically enumerated above that are ancillary or *de minimis* in nature.

## **Merger and Consolidation**

### ***The Company***

The Company will not consolidate with or merge with or into, or assign, convey, transfer or lease or otherwise dispose of all or substantially all of its assets, in one transaction or a series of related transactions, to any Person, unless:

- (1) the resulting, surviving or transferee Person (the “*Successor Company*”) will be a Person organized and existing under the laws of any member state of the European Union, or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Company) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, all the obligations of the Company under the Senior Notes and the Senior Notes Indenture and all obligations of the Company under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the applicable Successor Company or any Subsidiary of the applicable Successor Company as a result of such transaction as having been Incurred by the applicable Successor Company or such Subsidiary at the time of such transaction), no Default has occurred and is continuing;
- (3) immediately after giving effect to such transaction, either (a) the Company or the applicable Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or (b) the Fixed Charge Coverage Ratio of the Company and the Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such transaction; and
- (4) the Company or the Successor Company, as the case may be, shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (in the case of a Successor Company) comply with the Senior Notes Indenture and an Opinion of Counsel to the effect that such supplemental indenture (in the case of a Successor Company) is a legal and binding agreement enforceable against the Successor Company, *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact, including as to satisfaction of clauses (1), (2) and (3) above.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Senior Notes and the Senior Notes Indenture, but in a case of a lease of all or substantially all of its assets, the predecessor Person will not be released from its obligations under the Senior Notes Indenture or the Senior Notes.

### ***Guarantors***

No Guarantor may:

- (1) consolidate with or merge with or into any Person; or



- (2) sell, assign, convey, transfer, lease or dispose of, all or substantially all its assets, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into such Guarantor, unless:
  - (A) the other Person is the Company or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such transaction;
  - (B) (1) either (x) the Company or another Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Senior Notes Guarantee and the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes Security Documents, as applicable; and (2) immediately after giving effect to such transaction, no Default has occurred and is continuing; or
  - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise not prohibited by the Senior Notes Indenture.

The provisions set forth in this “*Merger and Consolidation*” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Company, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Company or another Guarantor; (iii) any consolidation or merger of the Company into any Guarantor; *provided* that (A) if the Company is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Company under the Senior Notes, the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes Security Documents and clauses (1) and (4) under the heading “—*The Company*” shall apply to such transaction; and (B) to the extent that any Security Interest previously granted over the shares in the capital of the relevant Guarantor would not, in accordance with applicable law, constitute a Lien over the shares in the capital of the surviving entity, the direct holding company of the relevant surviving entity shall, subject to the Agreed Security Principles, grant a Security Interest over the shares in the capital of such surviving entity on substantially equivalent terms to any Security Interest granted over the shares in the capital of such predecessor Guarantor immediately prior to such merger or consolidation; or (iv) the Company or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that clauses (1), (2) and (4) under the heading “—*The Company*” or clause (3) under this heading “*Guarantors*,” as the case may be, shall apply to any such transaction; or (v) any Permitted Holdco Transaction.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph under the heading “—*The Company*”) shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary. Notwithstanding the foregoing, the Transactions and any Permitted Holdco Transactions will be permitted without compliance with this section.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

#### **Events of Default**

Each of the following is an Event of Default under the Senior Notes Indenture:

- (1) default in any payment of interest on any Senior Note when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Company or any Guarantor to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Senior Notes with any agreement or obligation contained in the Senior Notes Indenture;

- (4) the occurrence of any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Significant Subsidiary (or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and the Restricted Subsidiaries) would constitute a Significant Subsidiary) (or the payment of which is Guaranteed by the Company or any Significant Subsidiary (or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and the Restricted Subsidiaries or, in respect of the period prior to the availability of audited consolidated financial statements for the Company following the Issue Date, as of the latest audited consolidated financial statements for the Target Group) would constitute a Significant Subsidiary)) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:
- (a) is caused by a failure to pay principal of such Indebtedness, at its stated final maturity (after giving effect to any applicable grace periods) provided in such Indebtedness (“*payment default*”); or
  - (b) results in the acceleration of such Indebtedness prior to its stated final maturity (the “*cross acceleration provision*”),
- and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default of principal at its stated final maturity (after giving effect to any applicable grace periods) or the maturity of which has been so accelerated, aggregates €50.0 million or more at any time outstanding;
- (5) certain events of bankruptcy, insolvency or court protection of the Company or a Significant Subsidiary (or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and the Restricted Subsidiaries) would constitute a Significant Subsidiary) (the “*bankruptcy provisions*”);
- (6) failure by the Company or a Significant Subsidiary (or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and the Restricted Subsidiaries) would constitute a Significant Subsidiary) to pay final judgments aggregating in excess of €50.0 million other than any judgments covered by indemnities provided by, or insurance policies issued by, reputable and creditworthy companies, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days (after receipt of notice as described in the next succeeding paragraph) after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed (the “*judgment default provision*”);
- (7) any Security Interest under the Senior Notes Security Documents having a fair market value in excess of €20.0 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Senior Notes Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes Indenture) for any reason other than the satisfaction in full of all obligations under the Senior Notes Indenture or the release of any such Security Interest in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Senior Notes Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or the Company or any Restricted Subsidiary shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days; and
- (8) except as permitted under the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement (including with respect to any limitations), any Senior Notes Guarantee of a Guarantor that is a Significant Subsidiary (or any group of Guarantors that, taken together (as of the latest audited consolidated financial statements for the Company and the Restricted Subsidiaries) would constitute a Significant Subsidiary) is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary (or any group of Guarantors that, taken together (as of the latest audited consolidated financial statements for the Company and the Restricted Subsidiaries) would constitute a Significant Subsidiary), or any Person acting on behalf of any such Guarantor or Guarantors, denies or disaffirms its obligations under its Senior Notes Guarantee.

However, a Default under clauses (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of at least 30% in aggregate principal amount of the outstanding Senior Notes notify the Company of the Default and, with respect to clauses (4) and (6), the Company does not cure such Default within 60 days after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by written notice to the Company or the Holders of at least 30% in aggregate principal amount of the outstanding Senior Notes by written notice to the Company and the Trustee may, and the Trustee (subject to certain conditions) at the request of such Holders shall, declare the principal of and accrued and unpaid interest, if any, on all the Senior Notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Senior Notes because an Event of Default described in clause (4) under “*Events of Default*” has occurred and is continuing, the declaration of acceleration of the Senior Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, in each case, within 30 days after the declaration of acceleration with respect thereto and the annulment of the acceleration of the Senior Notes would not conflict with any judgment or decree of a court of competent jurisdiction.

If an Event of Default described in clause (5) above with respect to the Company occurs and is continuing, the principal of and accrued and unpaid interest, if any, on all the Senior Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders may not enforce the Senior Notes Indenture or the Senior Notes except as provided in the Senior Notes Indenture and may not enforce the Senior Notes Security Documents except as provided in such Senior Notes Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior Notes under the Senior Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any, on any Senior Note held by a non-consenting Holder, which may only be waived with the consent of Holders of not less than 90% of the aggregate principal amount of the outstanding Senior Notes) and rescind any such acceleration with respect to such Senior Notes and its consequences (including the payment default that resulted from such acceleration) if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Senior Notes Indenture will provide that (i) if a Default for a failure to report or failure to deliver a required certificate in connection with another default (the “*Initial Default*”) occurs, then at the time such Initial Default is cured, such Default for a failure to report or failure to deliver a required certificate in connection with another default that resulted solely because of that Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled “*Certain Covenants—Reports*” or otherwise to deliver any notice or certificate pursuant to any other provision of the Senior Notes Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or such notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Senior Notes Indenture.

The Trustee will be under no obligation to exercise any of the rights or powers under the Senior Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Senior Notes Indenture or the Senior Notes unless:

- (1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) Holders of at least 30% in principal amount of the outstanding Senior Notes have requested in writing the Trustee to pursue the remedy;
- (3) such Holders have offered in writing and, if requested, provided to the Trustee security and/or indemnity satisfactory to the Trustee in its sole discretion against any loss, liability or expense;

- (4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in principal amount of the outstanding Senior Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Senior Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Senior Notes Indenture will provide that, in the event an Event of Default has occurred and is continuing, of which a responsible officer of the Trustee has received written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Notes Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Senior Notes Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to the Trustee in its sole discretion against all fees, losses, liabilities and expenses caused by taking or not taking such action.

The Senior Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the Holders.

The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

#### **Amendments and Waivers**

Subject to certain exceptions, the Senior Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes). However, without the consent of Holders holding not less than 90% (or, in the case of clause (9) below, 75%) of the then outstanding principal amount of the Senior Notes, an amendment or waiver may not, with respect to any Senior Notes held by a non-consenting Holder:

- (1) reduce the stated rate of or extend the stated time for payment of interest on any such Senior Note (other than provisions relating to Change of Control and Asset Dispositions);
- (2) reduce the principal of or extend the Stated Maturity of any such Senior Note (other than provisions relating to Change of Control and Asset Dispositions);
- (3) reduce the premium payable upon the redemption of any such Senior Note or change the time at which any such Senior Note may be redeemed, in each case as described above under "*Optional Redemption*" or "*Redemption for Taxation Reasons*";
- (4) make any such Senior Note payable in currency other than that stated in such Senior Note;
- (5) impair the right of any Holder to institute suit for the enforcement of any payment of principal of, or interest or Additional Amounts, if any, on such Holder's Senior Notes on or after the due dates therefor;
- (6) make any change in the provision of the Senior Notes Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Senior Notes in any material respect or amends the terms of such Senior Notes in a way that would result in a loss of an exemption from any of the



Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

- (7) release all or substantially all Security Interests granted for the benefit of the Holders in the Senior Notes Collateral (taken as a whole) other than in accordance with the terms of the Senior Notes Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Senior Notes Indenture; *provided* that, for the avoidance of doubt and without prejudice to the covenant described under the heading “*Certain Covenants—Impairment of Security Interest*,” the release of less than all or substantially all Security Interests granted for the benefit of the Holders in the Senior Notes Collateral (taken as a whole) shall only require the consent of Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes);
- (8) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any (except pursuant to a rescission of acceleration of the Senior Notes by the Holders of at least a majority in principal amount of such Senior Notes and a waiver of the payment default that resulted from such acceleration);
- (9) release any Guarantor from any of its obligations under its Senior Notes Guarantee or the Senior Notes Indenture, except in accordance with the terms of the Senior Notes Indenture and the Intercreditor Agreement; or
- (10) reduce the principal amount of Senior Notes whose holders must consent to any amendment, waiver or modification or make any other change in the amendment or waiver provisions which require the Holders’ consent described in this sentence.

For the avoidance of doubt, no amendment to, or deletion of, or actions taken in compliance with, the covenants described under “*Certain Covenants*” shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or interest or premium, if any, on the Senior Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Company, the Trustee and the other parties thereto, as applicable, may amend or supplement any Senior Notes Documents to:

- (1) cure any ambiguity, omission, mistake, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Company or a Guarantor under any Senior Notes Document;
- (3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Trustee or the Holders or make any change (including changing the ISIN or other identifying number on any Senior Notes) that does not adversely affect the rights of the Trustee or any Holder in any material respect;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of senior management of the Company) for the issuance of Additional Senior Notes that may be issued in compliance with the Senior Notes Indenture;
- (6) provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or “*Certain Covenants—Additional Guarantees*,” to add Senior Notes Guarantees with respect to the Senior Notes, to add security to or for the benefit of the Senior Notes, or to confirm and evidence the release, termination, discharge or retaking of any Senior Notes Guarantee or Lien with respect to or securing the Senior Notes when such release, termination, discharge or retaking is provided for under the Senior Notes Indenture, the Senior Notes Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Notes Indenture, the Senior Notes Security Documents or the Senior Notes to any provision of this “*Description of the Senior Notes*” to the extent that such provision



in this “*Description of the Senior Notes*” was intended to be a verbatim recitation of a provision of the Senior Notes Indenture, the Senior Notes Security Documents or the Senior Notes;

- (8) evidence and provide for the acceptance and appointment under the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Senior Notes Document;
- (9) in the case of the Senior Notes Security Documents, to mortgage, pledge, hypothecate or grant a Security Interest in favor of the Security Agent for the benefit of the Holders or parties to the Senior Facilities, in any property which is required by the Senior Notes Security Documents or the Senior Facilities (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a Security Interest is required to be granted to the Security Agent, or to the extent necessary to grant a Security Interest in the Senior Notes Collateral for the benefit of any Person; *provided* that the granting of such Security Interest is not prohibited by the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under “*Certain Covenants—Impairment of Security Interest*” is complied with;
- (10) make any amendment to the provisions of the Senior Notes Indenture relating to the transfer and legending of Senior Notes as permitted by the Senior Notes Indenture, including to facilitate the issuance and administration of Senior Notes; *provided, however*, that (i) compliance with the Senior Notes Indenture as so amended would not result in Senior Notes being transferred in violation of the Securities Act or any other applicable securities law and (ii) such amendment does not adversely affect the rights of Holders to transfer Senior Notes in any material respect;
- (11) facilitate any transaction that complies with the covenants described under the headings “*Merger and Consolidation*” and “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” relating to mergers, consolidations and sales of assets; or
- (12) as provided in “*Certain Covenants—Additional Intercreditor Agreements.*”

In formulating its decisions on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer’s Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Senior Notes Indenture to approve the particular form of any proposed amendment of any Senior Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Notes Indenture by any Holder given in connection with a tender of such Holder’s Senior Notes will not be rendered invalid by such tender. The Senior Notes Indenture will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

### **Defeasance**

The Company at any time may terminate all obligations of the Company and the Guarantors under the Senior Notes Documents (“*legal defeasance*”) and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Company in connection therewith and obligations concerning issuing temporary Senior Notes, registrations of Senior Notes, mutilated, destroyed, lost or stolen Senior Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Company exercises its legal defeasance option, the Senior Notes Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Company at any time may terminate the obligations of it and the Restricted Subsidiaries under the covenants described under “*Certain Covenants*” (other than clauses (1), (2) and (4) of “*Merger and Consolidation—The Company*”) and “*Change of Control*” and the default provisions relating to such covenants described under “*Events of Default*” above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions (other than with respect to the Company), the judgment default provision, the guarantee provision and the security default provisions described under “*Events of Default*” above (“*covenant defeasance*”).

The Company at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment

of the Senior Notes may not be accelerated because of an Event of Default with respect to the Senior Notes. If the Company exercises its covenant defeasance option with respect to the Senior Notes, payment of the Senior Notes may not be accelerated because of an Event of Default specified in clause (3) (other than clauses (1), (2) and (4) of “*Merger and Consolidation—The Company*”), (4), (5) (with respect only to the Company and Significant Subsidiaries (or a group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and the Restricted Subsidiaries) would constitute a Significant Subsidiary) of the Company), (6), (7) or (8) under “*Events of Default*” above.

In order to exercise either defeasance option, the Company must irrevocably deposit in trust (the “*defeasance trust*”) with the Trustee cash in Euros or European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Senior Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel, subject to customary assumptions and exclusions, to the effect that Holders, in their capacity as Holders, will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law since the issuance of the Senior Notes);
- (2) an Officer’s Certificate stating that the deposit was not made by the Company with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Company; and
- (3) an Officer’s Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with.

#### **Satisfaction and Discharge**

The Senior Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Senior Notes Security Documents will be discharged and cease to be of further effect (except as to surviving rights of transfer or exchange of the Senior Notes and rights of the Trustee, as expressly provided for in the Senior Notes Indenture) as to all Senior Notes when (1) either (a) all the Senior Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Notes and certain Senior Notes for which provision for payment was previously made and thereafter the funds have been released to the Company) have been delivered to the Trustee for cancellation; or (b) all Senior Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company; (2) the Company has deposited or caused to be deposited with the Trustee, money in Euros or European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Senior Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Company has paid or caused to be paid all other sums payable under the Senior Notes Indenture; (4) the Company has delivered irrevocable instructions to the Trustee under the Senior Notes Indenture to apply the deposited money toward the payment of the Senior Notes at maturity or on the redemption date, as the case may be; and (5) the Company has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel each stating that all conditions precedent under the “*Satisfaction and Discharge*” section of the Senior Notes Indenture relating to the satisfaction and discharge of the Senior Notes Indenture have been complied with; *provided* that any such counsel may rely on any Officer’s Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)). If requested in writing by the Company, the Trustee may distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; *provided, however*, that the Holders shall have received at least three Business Days’ notice from the Company of such earlier repayment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts.

## **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Company or any of its respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Company or any Guarantor under the Senior Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

## **Concerning the Trustee**

U.S. Bank Trustees Limited is to be appointed as Trustee under the Senior Notes Indenture. The Senior Notes Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in such Senior Notes Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Senior Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Senior Notes Indenture will not be construed as an obligation or duty.

The Senior Notes Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Company and its Affiliates and Subsidiaries.

The Senior Notes Indenture sets out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the outstanding Senior Notes, or may resign at any time by giving written notice to the Company and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain minimum limits regarding the aggregate of its capital and surplus or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Company may remove the Trustee, or any Holder who has been a bona fide Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses Incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Senior Notes Indenture.

## **Notices**

If and for so long as the Senior Notes are listed on the Exchange and if and to the extent that the rules of the Exchange so require, notices of the Company with respect to the Senior Notes will be sent to the Exchange.

All notices to Holders will be validly given if electronically delivered or mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. For so long as any Senior Notes are represented by Global Senior Notes, all notices to Holders will be delivered to Euroclear and Clearstream in accordance with the applicable procedures of Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, which will give such notices to the Holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the

manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

### **Prescription**

Claims against the Company or any Guarantor for the payment of principal, premium, if any, or Additional Amounts, if any, on the Senior Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Company or any Guarantor for the payment of interest on the Senior Notes will be prescribed six years after the applicable due date for payment of interest.

### **Currency Indemnity and Calculation of Euro-Denominated Restrictions**

Euro is the sole currency of account and payment for all sums payable by the Company and the Guarantors under or in connection with the Senior Notes and the Senior Notes Guarantees, including damages. Any amount received or recovered in a currency other than Euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Company or a Guarantor will only constitute a discharge to the Company or such Guarantor, as applicable, to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Euro amount is less than the Euro amount expressed to be due to the recipient or the Trustee under any Senior Note, the Company and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Company and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Note or the Trustee to certify in a manner reasonably satisfactory to the Company (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Company's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Note or any Senior Notes Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any Euro-denominated restriction herein, the Euro equivalent amount for purposes hereof that is denominated in a non-Euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-Euro amount is Incurred or made, as the case may be.

### **Listing**

Application has been made to list the Senior Notes on the Exchange and for permission to be granted to deal in the Senior Notes on the Exchange. There can be no assurance that the application to list the Senior Notes on the Exchange will be approved or that permission to deal in the Senior Notes thereon will be granted, and settlement of the Senior Notes is not conditioned on obtaining this listing or permission.

### **Enforceability of Judgments**

Since substantially all the assets of the Company and the Guarantors are located outside the United States, any judgment obtained in the United States against the Company or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Notes, may not be collectable within the United States.

### **Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Senior Notes Indenture and the Senior Notes, the Company and the Guarantors will in the Senior Notes Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the

City, County and State of New York, in the United States of America. The Senior Notes Indenture will provide that the Company and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Senior Notes Indenture, the Senior Notes and the Senior Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York.

### **Governing Law**

The Senior Notes Indenture and the Senior Notes, and the rights and duties of the parties thereunder, and the Senior Notes Guarantees thereunder, shall be governed by and construed in accordance with the laws of the State of New York. For the avoidance of doubt, the governing law of the Senior Notes Indenture and the Senior Notes may be amended with the consent of Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes). The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England. The Senior Notes Security Documents will be governed by the law of the location of the relevant asset that is part of the Senior Notes Collateral.

### **Certain Definitions**

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary; (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition; or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*Acquisition*” means any acquisition by the Senior Secured Notes Issuer or German Holdco of Target Shares: (a) pursuant to the voluntary public tender offer (*Freiwilliges Übernahmeangebot*) by the Senior Secured Notes Issuer for the Target Shares in accordance with the German Takeover Code and the public announcement, dated July 10, 2017, to all shareholders of the Target for the acquisition by the Senior Secured Notes Issuer of the Target Shares pursuant to Section 10 of the German Takeover Code; (b) pursuant to any Acquisition Agreement; (c) pursuant to the Domination Agreement; (d) pursuant to a Squeeze-Out; (e) which are tendered in accordance with section 39c of the German Takeover Code; and/or (f) in the open market.

“*Acquisition Agreement*” means any agreement relating to the sale and purchase by the Company of certain Target Shares and made between (i) one or more vendors and (ii) the Company, an Initial Investor or any of their respective Affiliates or Related Funds.

“*Additional Assets*” means:

- (1) any property or assets (other than Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets (in each case, on or after the Issue Date));
- (2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by



contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Agreed Security Principles*” means the agreed security principles appended to the Senior Facilities Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Senior Notes in good faith by the Company.

“*Applicable Premium*” means, with respect to any Senior Note the greater of:

- (a) 1% of the principal amount of such Senior Note; and
- (b) the excess (to the extent positive) of:
  - (i) the present value at such redemption date of (A) the redemption price of such Senior Note at September 30, 2020 (such redemption price (expressed in percentage of principal amount) being set forth in the table under “*Optional Redemption*” (excluding accrued and unpaid interest)), plus (B) all required interest payments due on such Senior Note to and including September 30, 2020 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points; over
  - (ii) the outstanding principal amount of such Senior Note,

as calculated by the Company or on behalf of the Company by such Person as the Company shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation of the Trustee or Paying Agent.

“*Asset Disposition*” means:

- (a) the voluntary sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of property or assets (including by way of a Sale and Leaseback Transaction) of the Company or any of the Restricted Subsidiaries (in each case other than Capital Stock of the Company) (each referred to in this definition as a “*disposition*”); or
- (b) the issuance, sale, transfer or other disposition of Capital Stock of any Restricted Subsidiary (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or directors’ qualifying shares and shares issued to foreign nationals as required under applicable law), whether in a single transaction or a series of related transactions,

in each case, other than:

- (1) a disposition by the Company or a Restricted Subsidiary to the Company or a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory or other assets (including Settlement Assets) in the ordinary course of business or consistent with past practice or held for sale or no longer used in the ordinary course of business, including any disposition of disposed, abandoned or discontinued operations;
- (4) a disposition of obsolete, worn-out, uneconomic, damaged or surplus property, equipment or other assets or property, equipment or other assets that are no longer economically practical or commercially desirable to maintain or used or useful in the business of the Company and the Restricted Subsidiaries whether now or hereafter owned or leased or acquired in connection with an acquisition or used or useful in the conduct of the business of the Company and the Restricted Subsidiaries (including by ceasing to enforce, allowing the lapse, abandonment or invalidation of or discontinuing the use or maintenance of or putting into the public domain any intellectual property that is, in the reasonable judgment of the Company or the Restricted Subsidiaries, no longer used or useful, or economically practicable to maintain, or in respect of which the Company or any Restricted Subsidiary determines in its reasonable judgment that such action or inaction is desirable);
- (5) transactions permitted under “*Merger and Consolidation*” or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;

- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Company) of less than the greater of (a) €50.0 million and (b) 10.0% of LTM EBITDA;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described under “*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the third paragraph under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” asset sales, the proceeds of which are used within 180 days of receipt of such proceeds to make such Restricted Payments, Permitted Payments or Permitted Investments;
- (9) dispositions in connection with Permitted Liens;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) conveyances, sales, transfers, licenses or sublicenses or other dispositions of intellectual property, software or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice or pursuant to a research or development agreement in which the counterparty to such agreement receives a license in the intellectual property or software that result from such agreement;
- (12) the lease, assignment, license, sublease or sublicense of any real or personal property in the ordinary course of business;
- (13) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (14) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;
- (15) any issuance or sale of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary or any other disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary or an Immaterial Subsidiary;
- (16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) dispositions of property to the extent (i) that such property is exchanged for credit against the purchase price of similar replacement property that is promptly purchased; (ii) that the proceeds of such disposition are promptly applied to the purchase price of such replacement property (which replacement property is actually promptly purchased); or (iii) allowable under Section 1031 of the U.S. Internal Revenue Code (or any similar provision under applicable tax law) and constituting any exchange of like property (excluding any boot thereon) for use in a Similar Business;
- (18) any disposition of Securitization Assets or Receivables Assets, or participations therein, in connection with any Qualified Securitization Financing or Receivables Facility, or the disposition of an account receivable in connection with the collection or compromise thereof in the ordinary course of business or consistent with past practice;
- (19) any disposition pursuant to a financing transaction with respect to property constructed, acquired, replaced, repaired or improved (including any reconstruction, refurbishment, renovation and/or development of real property) by the Company or any Restricted Subsidiary after the Issue Date, including Sale and Leaseback Transactions and asset securitizations, permitted by the Senior Notes Indenture;

- (20) dispositions of Investments in joint ventures or similar entities to the extent required by, or made pursuant to customary buy/sell arrangements between, the parties to such joint venture set forth in joint venture arrangements and similar binding arrangements;
- (21) any surrender or waiver of contractual rights or the settlement, release, surrender or waiver of contractual, tort, litigation or other claims of any kind; and
- (22) the unwinding of any Cash Management Services or Hedging Obligations.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under “*Certain Covenants—Limitation on Restricted Payments*,” the Company, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Disposition and/or one or more of the types of Permitted Investments or Investments permitted under “*Certain Covenants—Limitation on Restricted Payments*.”

“*Associate*” means (i) any Person engaged in a Similar Business of which the Company or the Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary.

“*Board of Directors*” means (i) with respect to any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (ii) with respect to any partnership, the board of directors or other governing body of the general partner, as applicable, of the partnership or any duly authorized committee thereof; (iii) with respect to a limited liability company, the managing member or members or any duly authorized controlling committee thereof; and (iv) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). Unless the context requires otherwise, Board of Directors means the Board of Directors of the Senior Secured Notes Issuer.

“*Bridge Facilities*” means the Senior Secured Bridge Facility and the Senior Unsecured Bridge Facility.

“*Bund Rate*” as selected by the Company, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Company) most nearly equal to the period from the redemption date to September 30, 2020; *provided, however*, that if the period from the redemption date to September 30, 2020 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to September 30, 2020 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in (i) Frankfurt, Germany, (ii) London, United Kingdom or (iii) New York, New York, United States; are authorized or required by law to close.

“*Business Successor*” means (i) any former Subsidiary of the Company and (ii) any Person that, after the Issue Date, has acquired, merged or consolidated with a Subsidiary of the Company (that results in such Subsidiary ceasing to be a Subsidiary of the Company), or acquired (in one transaction or a series of transactions) all or substantially all of the property and assets or business of a Subsidiary or assets constituting a business unit, line of business or division of a Subsidiary of the Company.

“*Capital Stock*” of any Person means any and all shares of, rights to purchase or acquire, warrants, options or depositary receipts for, or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into, or exchangeable for, such equity.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“*Cash Equivalents*” means:

- (1) (a) Euros, Canadian dollars, Swiss Francs, United Kingdom pounds, Japanese Yen, Dollars or any national currency of any member state of the European Union; or (b) any other foreign currency held by the Company and the Restricted Subsidiaries in the ordinary course of business;
- (2) securities or other direct obligations, issued or directly and fully Guaranteed or insured by the United States of America, Canadian, Japanese, Australian, Swiss, Norwegian or United Kingdom governments, the European Union or any member state of the European Union on the Issue Date or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), with maturities of 24 months or less from the date of acquisition;
- (3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least “A-1” or the equivalent thereof by S&P or at least “P-1” or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million;
- (4) repurchase obligations for underlying securities of the types described in clauses (2), (3) and (7) entered into with any bank meeting the qualifications specified in clause (3) above;
- (5) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any Person referenced in clause (3) above;
- (6) commercial paper and variable or fixed rate notes issued by a bank meeting the qualifications specified in clause (3) above (or by the Parent Entity thereof) maturing within one year after the date of creation thereof or any commercial paper and variable or fixed rate note issued by, or guaranteed by a corporation rated at least “A-1” or higher by S&P or “P-1” or higher by Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization selected by the Company) maturing within one year after the date of creation thereof;
- (7) interests in any investment company, money market, enhanced high yield fund or other investment fund which invests 90% or more of its assets in instruments of the types specified in clauses (1) through (6) above; and
- (8) for purposes of clause (2) of the definition of “Asset Disposition,” the marketable securities portfolio owned by the Company and its Subsidiaries on the Issue Date.

“*Cash Management Services*” means any of the following to the extent not constituting a line of credit (other than an overnight draft facility that is not in default): automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services and/or cash management services, including controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements in the ordinary course of business or consistent with past practice.

“*Change of Control*” means:

- (1) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, being or becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act as in effect on the Issue Date) of more than 50% of the total voting power of the Voting Stock of the Company other than in connection with any transaction or series of transactions in which the Company shall become the wholly owned subsidiary of a Parent

Entity so long as no Person or group, as noted above, other than a Permitted Holder, holds more than 50% of the total voting power of the Voting Stock of such Parent Entity;

- (2) the Company ceasing to directly own 100% of the total issued share capital (excluding director's qualifying shares) of the Senior Secured Notes Issuer (or any successor entity as a result of a merger of the Senior Secured Notes Issuer and the Target and/or German Holdco); or
- (3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and the Restricted Subsidiaries taken as a whole to a Person, other than the Company or any of the Restricted Subsidiaries or one or more Permitted Holders.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Company becoming a direct or indirect wholly owned subsidiary of a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Company's Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company, (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner and (c) a Permitted Holdco Transaction shall not constitute a Change of Control.

"Change of Control Triggering Event" means the occurrence of a Change of Control, unless *pro forma* for the Change of Control, the Consolidated Total Net Leverage Ratio is less than 5.70 to 1.00; *provided, however*, that following the first Change of Control Triggering Event in respect of which no Change of Control Offer has been made or waived, the definition of Change of Control Triggering Event shall thereafter mean a Change of Control.

"Clearstream" means Clearstream Banking, *société anonyme*, or any successor thereof.

"Company" means Nidda BondCo GmbH.

"Completion Date" means August 22, 2017.

"Consolidated Depreciation and Amortization Expense" means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including amortization or write-off of (i) intangibles and non-cash organization costs, (ii) deferred financing fees or costs and (iii) capitalized expenditures, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such Person and its Subsidiaries that are Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with IFRS and any write down of assets or asset value carried on the balance sheet.

"Consolidated EBITDA" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period:

- (1) increased (without duplication) by:
  - (a) provision for taxes based on income or profits, revenue or capital, including federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes of such Person paid or accrued during such period, including any penalties and interest relating to any tax examinations (including any additions to such taxes, and any penalties and interest with respect thereto), deducted (and not added back) in computing Consolidated Net Income; *plus*
  - (b) Fixed Charges of such Person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities, plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses (s) through (z) in clause (1) thereof), in each case, to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; *plus*



- (c) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*
- (d) any (x) Transaction Expenses and (y) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), Permitted Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred by the Senior Notes Indenture (including a refinancing thereof) (whether or not successful), in each case, including (i) such fees, expenses or charges (including rating agency fees and related expenses) related to the offering of the Senior Notes, the Senior Unsecured Bridge Facility, the Senior Secured Bridge Facility, the offering of the Senior Secured Notes, the Senior Facilities, any other Credit Facility and any Securitization Fees, and (ii) any amendment, waiver or other modification of the Senior Notes, the Senior Secured Notes, the Senior Facilities, Receivables Facilities, Securitization Facilities, any other Credit Facility, any other Indebtedness permitted to be Incurred under the Senior Notes Indenture or any Equity Offering, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*
- (e) (i) the amount of any restructuring charge, accrual or reserve (and adjustments to existing reserves), integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs Incurred in connection with acquisitions or divestitures after the Issue Date, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employment benefit plans (including any settlement of pension liabilities), systems development and establishment costs, future lease commitments and costs related to the opening and closure and/or consolidation of facilities and to exiting lines of business and consulting fees Incurred with any of the foregoing and (ii) fees, costs and expenses associated with acquisition related litigation and settlements thereof; *plus*
- (f) any other non-cash charges, write-downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the impact of purchase accounting; *provided* that if any such non-cash charge, write-down or item to the extent it represents an accrual or reserve for a cash expenditure for a future period then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid or other items classified by the Company as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period); *plus*
- (g) the amount of board of director fees, management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to any member of the Board of Directors of the Company, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted under “*Certain Covenants—Limitation on Affiliate Transactions*”; *plus*
- (h) the “run rate” cost savings, operating expense reductions, restructuring charges and expenses and synergies that are expected (in good faith) to be realized as a result of actions taken or expected to be taken within 24 months after the date of any acquisition, disposition, divestiture, restructuring or the implementation of a cost savings or other similar initiative, as applicable (calculated on a *pro forma* basis as though such cost savings, operating expense reductions, restructuring charges and expenses and synergies had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such actions; *provided* that (i) such actions are expected to be taken within 24 months after the consummation of the acquisition, disposition, restructuring or the implementation of an initiative, as applicable, which is expected to result in cost savings, operating expense reductions, restructuring charges and expenses or synergies, and (ii) no cost savings, operating expense reductions, restructuring charges and expenses or synergies shall be added pursuant to this defined term to the extent duplicative of any expenses or charges

otherwise added to Consolidated EBITDA, whether through a *pro forma* adjustment or otherwise, for such period (which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of “Fixed Charge Coverage Ratio” (excluding, for the avoidance of doubt, the further proviso to the first paragraph of such definition)); *plus*

- (i) the “run rate” expected cost savings, operating expense reductions including, without limitation, costs and expenses related to information and technology systems establishment, modernization or modification, restructuring charges and expenses and synergies related to the Transactions projected by the Company in good faith to result from actions with respect to which substantial steps have been, will be, or are expected to be, taken (in the good faith determination of the Company), calculated on a *pro forma* basis as though such cost savings, operating expense reductions, restructuring charges and expenses and synergies had been realized from the first day of such period and during the entirety of such period, net of the amount of actual benefits realized during such period from such actions, and which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of “Fixed Charge Coverage Ratio” (excluding, for the avoidance of doubt, the further proviso to the first paragraph of such definition); *plus*
- (j) the amount of loss or discount on sale of Securitization Assets, Receivables Assets and related assets to the Securitization Subsidiary in connection with a Qualified Securitization Financing or Receivables Facility; *plus*
- (k) any costs or expense Incurred by the Company or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Company or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Company solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth in clause (c) of the first paragraph under “*Certain Covenants—Limitation on Restricted Payments*”; *plus*
- (l) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (2) below for any previous period and not added back; *plus*
- (m) any net loss included in the Consolidated Net Income attributable to non-controlling interests; *plus*
- (n) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Company and the Restricted Subsidiaries; *plus*
- (o) net realized losses from Hedging Obligations or embedded derivatives; *plus*
- (p) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary, including payments to Minority Shareholders under the Domination Agreement, and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto; *plus*
- (q) with respect to any joint venture, an amount equal to the proportion of those items described in clauses (a) and (c) above relating to such joint venture corresponding to the Company’s and the Restricted Subsidiaries’ proportionate share of such joint venture’s Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) to the extent the same was deducted (and not added back) in calculating Consolidated Net Income; *plus*
- (r) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; *plus*

- (s) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost), and any other items of a similar nature; *plus*
  - (t) the amount of expenses relating to payments made to option holders of the Company or any Parent Entity in connection with, or as a result of, any distribution being made to equityholders of such Person or its Parent Entities, which payments are being made to compensate such option holders as though they were equityholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Senior Notes Indenture; *plus*
  - (u) to the extent not already otherwise included herein, adjustments and add-backs made in calculating “Pro Forma Consolidated EBITDA” for the pro forma twelve months ended June 30, 2017, included in the Offering Memorandum; *plus*
  - (v) earn out obligations Incurred in connection with any permitted acquisition or other Investment permitted under the Senior Notes Indenture and paid or accrued during such period; *plus*
  - (w) losses, charges and expenses related to the pre-opening and opening of new facilities, and start-up period prior to opening, that are operated, or to be operated, by the Company or any Restricted Subsidiary; and
- (2) decreased (without duplication) by non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period.

“*Consolidated Interest Expense*” means, with respect to any Person for any period, without duplication, the sum of:

- (1) consolidated interest expense of such Person and its Subsidiaries that are Restricted Subsidiaries for such period (in each case, determined on the basis of IFRS), to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including (a) amortization of original issue discount or premium resulting from the issuance of Indebtedness at less than par, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of any Hedging Obligations or other derivative instruments pursuant to IFRS), (d) the interest component of Capitalized Lease Obligations, and (e) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding (s) Securitization Fees, (t) penalties and interest relating to taxes (but excluding, for the avoidance of doubt, any Additional Amounts paid with respect to the Senior Notes, the Senior Notes Guarantees, the Senior Secured Notes or the Senior Secured Notes Guarantees), (u) any additional cash interest owing pursuant to any registration rights agreement, (v) accretion or accrual of discounted liabilities other than Indebtedness, (w) any expense resulting from the discounting of any Indebtedness in connection with the application of recapitalization accounting or purchase accounting in connection with the Transactions or any acquisition, (x) amortization or write-off of deferred financing fees, debt issuance costs, debt discount or premium, terminated Hedging Obligations and other commissions, financing fees and expenses and original issue discount with respect to Indebtedness borrowed under the Senior Facilities and, adjusted to the extent included, to exclude any refunds or similar credits received in connection with the purchasing or procurement of goods or services under any purchasing card or similar program, (y) any expensing of bridge, commitment and other financing fees and (z) interest with respect to Indebtedness of any parent of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS; *plus*
- (2) consolidated capitalized interest of such Person and its Subsidiaries that are Restricted Subsidiaries for such period, whether paid or accrued (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); *less*
- (3) interest income for such period.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

“*Consolidated Net Income*” means, with respect to any Person for any period, the net income (loss) of such Person and its Subsidiaries that are Restricted Subsidiaries for such period determined on a consolidated basis on the basis of IFRS after any reduction in respect of Preferred Stock dividends; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary (including any net income (loss) from Investments recorded in such Person under the equity method of accounting), except that the Company’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that (as reasonably determined by an Officer of the Company) could have been distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); *provided that*, for the purposes of clause (c) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*,” such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under the definition of “Permitted Investments”;
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*,” any net income (loss) of any Restricted Subsidiary (other than the Company and the Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company or a Guarantor by operation of the terms of such Restricted Subsidiary’s articles, charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Facilities, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Senior Notes, the Senior Notes Indenture, the Senior Secured Notes or the Senior Secured Notes Indenture and (c) restrictions specified in clause (13)(a) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”) except that the Company’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (3) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized upon the sale or other disposition of any asset (including pursuant to any Sale and Leaseback Transaction) or disposed or discontinued operations of the Company or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Company);
- (4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense, including Transaction Expenses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance expense or relocation costs, one-time compensation charges, integration and facilities’ opening costs and other business optimization expenses and operating improvements (including related to new product introductions), systems development and establishment costs, accruals or reserves (including restructuring and integration costs related to acquisitions after the Issue Date and adjustments to existing reserves), whether or not classified as restructuring expense on the consolidated financial statements, signing costs, retention or completion bonuses, transition costs, costs related to closure/consolidation of facilities, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employee benefit plans (including any settlement of pension liabilities), contract terminations and professional and consulting fees Incurred with any of the foregoing;
- (5) the cumulative effect of a change in law, regulation or accounting principles, including any impact resulting from an election by the Company to apply GAAP at any time following the Issue Date;
- (6) any (i) non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension

liabilities or other provisions or on the re-valuation of any benefit plan obligation and (ii) income (loss) attributable to deferred compensation plans or trusts;

- (7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (8) any unrealized gains or losses in respect of any Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;
- (9) any fees and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Issue Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;
- (10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;
- (11) any unrealized or realized gain or loss due solely to fluctuations in currency values and the related tax effects, determined in accordance with IFRS;
- (12) any recapitalization accounting or purchase accounting effects, including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition (including the Transaction), or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);
- (13) any impairment charge, write-off or write-down, including impairment charges, write-offs or write-downs related to intangible assets, long-lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to IFRS;
- (14) any effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;
- (15) accruals and reserves that are established or adjusted (including any adjustment of estimated payouts on existing earn-outs) that are so required to be established as a result of the Transactions in accordance with IFRS, or changes as a result of adoption or modification of accounting policies;
- (16) any costs associated with the Transactions;
- (17) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures and any deferred tax expense associated with tax deductions or net operating losses arising as a result of the Transactions, or the release of any valuation allowances related to such item;
- (18) any (i) payments to third parties in respect of research and development, including amounts paid upon signing, success, completion and other milestones and other progress payments, to the extent expensed and (ii) effects of adjustments to accruals and reserves during a period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks (including government program rebates);
- (19) any net gain (or loss) from disposed, abandoned or discontinued operations and any net gain (or loss) on disposal of disposed, discontinued or abandoned operations; and



(20) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Subsidiaries that are Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only to the extent that such amount is (A) not denied by the applicable payor in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days) and (ii) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (A) not denied by the applicable carrier in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption.

“*Consolidated Total Indebtedness*” means, as of any date of determination, (a) the aggregate principal amount of Indebtedness for borrowed money (excluding Indebtedness with respect to Cash Management Services and intercompany Indebtedness of the Group (including the Target Group) as of such date), plus (b) Capitalized Lease Obligations, Purchase Money Obligations and unreimbursed drawings under letters of credit of the Company and the Restricted Subsidiaries outstanding on such date, minus (c) the aggregate amount of cash and Cash Equivalents included in the consolidated balance sheet of the Company and the Restricted Subsidiaries as of the end of the most recent fiscal period for which internal financial statements of the Company are available (*provided* that the cash proceeds of any proposed Incurrence of Indebtedness shall not be included in this clause (c) for purposes of calculating the Consolidated Total Net Leverage Ratio), with such pro forma adjustments as are consistent with the pro forma adjustments set forth in the definition of “Fixed Charge Coverage Ratio.” For the avoidance of doubt, Consolidated Total Indebtedness shall exclude Indebtedness in respect of any Hedging Obligations, Receivables Facility or Securitization Facility.

“*Consolidated Total Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) the sum of (a) Consolidated Total Indebtedness as of such date and (b) the Reserved Indebtedness Amount as of such date, to (y) LTM EBITDA; *provided, however*, that the pro forma calculation shall not give effect to (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under “*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred pursuant to clauses (1)(c) or 5(b) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”), (ii) any Indebtedness Incurred pursuant to clause (4)(a) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or (iii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “*Certain Covenants—Limitation on Indebtedness*” (other than the discharge of Indebtedness using proceeds of Indebtedness Incurred pursuant to clauses (1)(c) and (5)(b) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”); *provided further, however*, that at any time prior to the Control Entry Date in calculating the Consolidated Total Net Leverage Ratio, the portion of Consolidated Total Indebtedness Incurred to finance the purchase of Target Shares in an Acquisition (and excluding, for the avoidance of doubt, Existing Target Debt Financing and Refinancing Indebtedness in respect of Existing Target Debt Financing) shall be multiplied by a quotient equal to (x) one, divided by (y) the percentage of the Target Shares held (directly or indirectly) by the Company as of the date of determination, after giving pro forma effect to any increase in ownership of the Target Shares resulting from the transaction or transactions from which such determination results or which are contemplated in connection with any Reserved Indebtedness Amount.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not

constitute Indebtedness (“*primary obligations*”) of any other Person (the “*primary obligor*”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*Control Date*” means the earliest to occur of: (a) the Domination Agreement Registration Date; (b) the date upon which the Target is converted into a company with limited liability (GmbH); and (c) the date upon which the Target is merged into the Company pursuant to a merger related Squeeze-Out or the Target Shares of the Minority Shareholders are acquired pursuant to a Squeeze-Out and the Company is converted into a company with limited liability (GmbH).

“*Control Entry Date*” means the earlier of the date on which (a) the Domination Agreement is executed by the parties thereto; and (b) the Senior Secured Notes Issuer and/or German Holdco acquires, gains the right to acquire and/or obtains acceptances to the Offer in respect of not less than 90% of the Target Shares.

“*Controlled Investment Affiliate*” means, as to any Person, any other Person, which directly or indirectly is in control of, is controlled by, or is under common control with such Person and is organized by such Person (or any Person controlling such Person) primarily for making direct or indirect equity or debt investments in the Company and/or other companies.

“*Credit Facility*” means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Senior Facilities or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Senior Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “*Credit Facility*” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default; *provided* that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by the Company or any Restricted Subsidiary) of non-cash consideration received by the Company or any of the Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash

Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*”

“*Designated Preferred Stock*” means Preferred Stock of the Company or a Parent Entity (other than Disqualified Stock) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and that is designated as “Designated Preferred Stock” pursuant to an Officer’s Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(iii) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments.*”

“*Disinterested Director*” means, with respect to any Affiliate Transaction, a member of the Board of Directors having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors shall be deemed not to have such a financial interest by reason of such member’s holding Capital Stock of the Company or any options, warrants or other rights in respect of such Capital Stock.

“*Disqualified Stock*” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise; or
- (2) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Senior Notes or (b) the date on which there are no Senior Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under “*Certain Covenants—Limitation on Restricted Payments*”; *provided further, however*, that if such Capital Stock is issued to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates (excluding the Permitted Holders (but not excluding any future, current or former employee, director, officer, contractor or consultant) or Immediate Family Members)), of the Company, any of its Subsidiaries, any Parent Entity or any other entity in which the Company or a Restricted Subsidiary has an Investment and is designated in good faith as an “affiliate” by the Board of Directors (or the compensation committee thereof) or any other plan for the benefit of current, former or future employees (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company or its Subsidiaries or by any such plan to such employees (or their respective Controlled Investment Affiliates or Immediate Family Members), such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company or its Subsidiaries in order to satisfy applicable statutory, contractual or regulatory obligations.

“*Domination Agreement*” means the domination and profit and loss pooling agreement (including any domination and profit and loss pooling agreements that replace, supersede, amend or modify the same) which may be entered into between the Target and the Company and/or German Holdco.

“*Domination Agreement Registration Date*” means the date on which the Domination Agreement is originally registered in the commercial register of the Target.

“*Equity Offering*” means (x) a sale of Capital Stock of the Company (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed to the equity of the Company or any of the Restricted Subsidiaries by

any Parent Entity in any form other than Indebtedness, any Shareholder Contribution or Excluded Contributions or Excluded Amounts.

*“Escrowed Proceeds”* means the proceeds from the offering or incurrence of any debt securities or other Indebtedness paid into: (a) in the case of the proceeds from any Senior Term Loan, a Senior Term Loan Escrow Account; and (b) in any other case, an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term *“Escrowed Proceeds”* shall include any interest earned on the amounts held in escrow.

*“Euro”* or *“€”* means the single currency of participating member states of the economic and monetary union as contemplated in the Treaty on European Union.

*“Euroclear”* means Euroclear Bank SA/NV or any successor thereof.

*“European Government Obligations”* means any security denominated in Euro that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated *“A-1”* or higher by Moody’s or *“A+”* or higher by S&P or the equivalent rating category of another Nationally Recognized Statistical Rating Organization on the date of the Senior Notes Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

*“Exchange Act”* means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

*“Excluded Contribution”* means Net Cash Proceeds or property or assets (other than Excluded Amounts) received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of their employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) or Subordinated Shareholder Funding of the Company (other than a Shareholder Contribution), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Company.

*“Existing Target Debt Financing”* means an amount equal to the aggregate principal amount outstanding under any agreement documenting financial indebtedness of, or available for utilization by, the Target Group at any relevant date of determination prior to the Control Date.

*“fair market value”* wherever such term is used in this *“Description of the Senior Notes”* or the Senior Notes Indenture (except as otherwise specifically provided in this *“Description of the Senior Notes”* or the Senior Notes Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

*“First-Priority Senior Notes Collateral”* means has the meaning given to the term *“Topco Independent Transaction Security”* in the Intercreditor Agreement as in effect on the Issue Date, including the First-Priority Senior Notes Issue Date Collateral.

*“Fitch”* means Fitch Ratings, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

*“Fixed Charge Coverage Ratio”* means, with respect to any Person on any determination date, the ratio of LTM EBITDA to the Fixed Charges of such Person for the most recent four consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements are available (the *“reference period”*). In the event that the Company or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the reference period but prior to or simultaneously with the event for



which the calculation of the Fixed Charge Coverage Ratio is made (the “*Fixed Charge Coverage Ratio Calculation Date*”), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, deemed Incurrence, assumption, Guarantee, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period; *provided, however*, that the pro forma calculation shall not give effect to: (i) any Fixed Charges attributable to Indebtedness Incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under “*Certain Covenants—Limitation on Indebtedness*” (other than Fixed Charges attributable to Indebtedness Incurred pursuant to clauses (1)(c) and (5)(b) thereof), (ii) Fixed Charges attributable to Indebtedness Incurred pursuant to clause (4)(a) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or (iii) Fixed Charges attributable to any Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described under the second paragraph under “*Certain Covenants—Limitation on Indebtedness*” (other than Fixed Charges attributable to Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date using proceeds of Indebtedness Incurred pursuant to clauses (1)(c) and (5)(b) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”); *provided further, however*, that at any time prior to the Control Entry Date, in calculating the Fixed Charge Coverage Ratio, the portion of Fixed Charges attributable to Indebtedness Incurred to finance the purchase of Target Shares in an Acquisition (and excluding, for the avoidance of doubt, Existing Target Debt Financing and Refinancing Indebtedness in respect of Existing Target Debt Financing) shall be multiplied by a quotient equal to (x) one, divided by (y) the percentage of the Target Shares held (directly or indirectly) by the Company as of the date of determination, after giving pro forma effect to any increase in ownership of the Target Shares resulting from the transaction or transactions from which such determination results or which are contemplated in connection with any Reserved Indebtedness Amount.

For purposes of making the computation referred to above, any Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed operations that have been made by the Company or any of the Restricted Subsidiaries, during the reference period or subsequent to the reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in LTM EBITDA resulting therefrom) had occurred on the first day of the reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged or amalgamated with or into the Company or any of the Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed operation had occurred at the beginning of the reference period.

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculations shall be made in good faith by a responsible financial or chief accounting officer of the Company (and may include cost savings and synergies). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire reference period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the reference period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Company may designate.

“*Fixed Charges*” means, with respect to any Person for any period, the sum of:

- (1) Consolidated Interest Expense of such Person for such period;



- (2) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock of any Restricted Subsidiary of such Person during such period; and
- (3) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

For the avoidance of doubt, any payments made by the Company or any Restricted Subsidiary under any domination agreement and profit and loss transfer agreement (including the Domination Agreement) to minority shareholders shall constitute Fixed Charges.

“GAAP” means generally accepted accounting principles in the United States of America.

“German Holdco” means Nidda Healthcare GmbH.

“German Takeover Code” means the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

“Guarantee” means, any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

*provided, however*, that the term “Guarantee” will not include (x) endorsements for collection or deposit in the ordinary course of business or consistent with past practice and (y) standard contractual indemnities or product warranties provided in the ordinary course of business, and *provided further* that the amount of any Guarantee shall be deemed to be the lower of (i) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (ii) the maximum amount for which such guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Guarantee or, if such Guarantee is not an unconditional guarantee of the entire amount of the primary obligation and such maximum amount is not stated or determinable, the amount of such guaranteeing Person’s maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The term “Guarantee” used as a verb has a corresponding meaning.

“Guarantor” means any Restricted Subsidiary that Guarantees the Senior Notes, until such Senior Notes Guarantee is released in accordance with the terms of the Senior Notes Indenture.

“Hedging Obligations” means, with respect to any Person, the obligations of such Person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contracts, currency swap agreement or similar agreement providing for the transfer or mitigation of interest rate, commodity price or currency risks either generally or under specific contingencies.

“Holder” means each Person in whose name the Senior Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

“IFRS” means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Company or the Restricted Subsidiaries are, or may be, required to comply, as in effect on the Issue Date or, with respect to the covenant described under the caption “Reports,” as in effect from time to time. Except as otherwise set forth in the Senior Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Notes Indenture shall be computed in accordance with IFRS as in effect on the Issue Date. At any time after the Issue Date, the Company may elect to establish that IFRS shall mean IFRS as in effect on or prior to the date of such election; *provided* that any such election, once made, shall be irrevocable. At any time after the Issue Date, the Company may elect to apply GAAP accounting principles in lieu of IFRS and, upon any such election, references herein to IFRS shall thereafter be construed to mean GAAP (except as otherwise provided in the Senior Notes Indenture), including as to the ability of the Company to make an election pursuant to the previous sentence; *provided* that any such election, once made, shall be irrevocable; *provided, further*, that any calculation or determination in the

Senior Notes Indenture that require the application of IFRS for periods that include fiscal quarters ended prior to the Company's election to apply GAAP shall remain as previously calculated or determined in accordance with IFRS; *provided, further again*, that the Company may only make such election if it also elects to report any subsequent financial reports required to be made by the Company. The Company shall give notice of any such election made in accordance with this definition to the Trustee and the Holders. Notwithstanding any of the foregoing, the impact of IFRS 16 (*Leases*) and any successor standard thereto (or any equivalent measure under GAAP) shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Senior Notes Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS (or, as applicable, GAAP) as of the Issue Date and any guarantee given by the Company or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Company or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS (or, as applicable, GAAP) as in effect on the Issue Date.

*"Immaterial Subsidiary"* means, at any date of determination, each Restricted Subsidiary that (i) has not guaranteed any other Indebtedness of the Company and (ii) has Total Assets of less than 5.0% of Total Assets, revenues of less than 5.0% of the consolidated revenues of the Company and the Restricted Subsidiaries and LTM EBITDA of less than 5.0% of LTM EBITDA of the Company and the Restricted Subsidiaries taken as a whole and, together with all other Immaterial Subsidiaries (as determined in accordance with IFRS), has Total Assets of less than 10.0% of Total Assets and revenues of less than 10.0% of total revenues of the Company and the Restricted Subsidiaries taken as a whole, in each case, measured at the end of the most recent four-quarter fiscal period for which internal financial statements are available and revenues on a pro forma basis giving effect to any acquisitions or dispositions of companies, division or lines of business since such balance sheet date or the start of such four quarter period, as applicable, and on or prior to the date of acquisition of such Subsidiary.

*"Immediate Family Members"* means, with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including adoptive relationships) and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

*"Incur"* means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, amalgamation, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder, subject to the definition of Reserved Indebtedness Amount and related provisions; *provided further, however*, that amounts drawn under any Senior Term Loan and deposited into a Senior Term Loan Escrow Account shall not be deemed to be Incurred until such proceeds are withdrawn from such Senior Term Loan Escrow Account for a purpose other than prepayment of such Senior Term Loan.

*"Indebtedness"* means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligation, including accrued expenses owed, to a trade creditor), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of the type referred to in clauses (1), (2), (3), (4), (5) and (9) of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the net payments under such agreement or arrangement giving rise to such obligation that would be payable by such Person at the termination of such agreement or arrangement),

with respect to clauses (1), (2), (4) and (5) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS.

The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (i) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, other than Guarantees or other assumptions of Indebtedness;
- (ii) Cash Management Services;
- (iii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date or any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;
- (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business or consistent with past practice;
- (v) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;
- (vi) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;
- (vii) obligations under or in respect of Qualified Securitization Financings or Receivables Facilities;
- (viii) Indebtedness of any Parent Entity appearing on the balance sheet of the Company solely by reason of push down accounting under IFRS;
- (ix) Capital Stock (other than Disqualified Stock of the Company and Preferred Stock of a Restricted Subsidiary);
- (x) amounts owed to: (A) dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Company and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "*Merger and Consolidation*"; or

(B) minority shareholders in connection with any domination and profit and loss transfer agreement (including the Domination Agreement);

- (xi) Subordinated Shareholder Funding;
- (xii) amounts drawn under any Senior Term Loan and deposited into an applicable Senior Term Loan Escrow Account prior to the date such proceeds are withdrawn therefrom to be used for a purpose other than prepayment of such Senior Term Loan;
- (xiii) any liability pursuant to or in connection with a declaration of joint and several liability as referred to in section 2:403 Dutch Civil Code (and any residual liability under such declaration, as referred to in section 2:404 (2) of the Dutch Civil Code); or
- (xiv) any joint and several liability or any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity (*fiscale eenheid*) for Dutch corporate income tax or value added tax purposes or any analogous arrangement in any other jurisdiction of which the Company or a Restricted Subsidiary is or becomes a member.

“*Independent Financial Advisor*” means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Company.

“*Initial Investors*” means (a) individually or collectively, one or more investment funds, co-investment vehicles, limited partnerships and/or other similar vehicles or accounts in each case advised or managed by (i) Bain Capital Private Equity (Europe) LLP; (ii) Cinven Partners LLP; and/or (iii) Partners Group AG; (b) any of their successors, Affiliates or direct or indirect Subsidiaries (but excluding, in each case, any portfolio company which is an obligor (and any of its Subsidiaries) in respect of any third party financing provided to that portfolio company (or any of its Subsidiaries) in which the parties listed in clause (a) above or such Affiliates, Subsidiaries or investors hold an investment or interest in).

“*Initial Public Offering*” means an Equity Offering of common stock or other common equity interests of the Company or any Parent Entity or any successor of the Company or any Parent Entity (the “*IPO Entity*”) following which there is a public market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

“*Intercreditor Agreement*” means the Intercreditor Agreement dated August 17, 2017, by and among, *inter alios*, the Company and the Security Agent and to which the Trustee will accede, as amended from time to time.

“*Investment*” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of advances, loans or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business or consistent with past practice, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business or consistent with past practice will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of “*Certain Covenants—Limitation on Restricted Payments*” and “*—Designation of Restricted and Unrestricted Subsidiaries*”:

- (1) “*Investment*” will include the portion (proportionate to the Company’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a re-designation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent “Investment” in an Unrestricted



Subsidiary in an amount (if positive) equal to (a) the Company's "Investment" in such Subsidiary at the time of such re-designation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as determined by the Company) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined by the Company.

*"Investment Grade Securities"* means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States of America or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by the European Union or a member state of the European Union, Switzerland, Japan, Australia or Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of "A –" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and
- (4) Investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

*"Investment Grade Status"* shall occur when the Senior Notes receive two of the following:

- (1) a rating of "BBB –" or higher from S&P;
- (2) a rating of "Baa3" or higher from Moody's; or
- (3) a rating of "BBB –" or higher from Fitch,

or the equivalent of such rating by such rating organization or, if no rating of S&P, Moody's or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

*"IPO Market Capitalization"* means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

*"Issue Date"* means September 29, 2017.

*"Lien"* means any mortgage, pledge, security interest, encumbrance, lien, hypothecation or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof); *provided* that in no event shall an operating lease be deemed to constitute a Lien.

*"LTM EBITDA"* means Consolidated EBITDA of the Company measured for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available, in each case with such pro forma adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such four quarter period and as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio" (excluding, for the avoidance of doubt, the further proviso to the first paragraph of such definition).

*"Management Advances"* means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of any Parent Entity, the Company or any Restricted Subsidiary, or to any management equity plan, stock option plan, any other management or employee benefit, bonus or incentive plan or any trust, partnership or other entity of, established for the benefit of, or the beneficial owner of which (directly or indirectly) is, any of the foregoing:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person's purchase of



Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Company, its Subsidiaries or any Parent Entity with the approval of the Board of Directors of the Company;

- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) not exceeding the greater of (i) €25.0 million and (ii) 5.0% of LTM EBITDA in the aggregate outstanding at the time of Incurrence.

*“Management Stockholders”* means the members of management of the Company (or any Parent Entity) or its Subsidiaries who are holders of Capital Stock of the Company or of any Parent Entity on the Issue Date or will become holders of such Capital Stock in connection with the Transactions.

*“Market Capitalization”* means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interest of the IPO Entity on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

*“Minority Shareholder”* means at any time following the Issue Date, any holder of Target Shares or Target Warrants who is not the Company or an Affiliate of the Company.

*“Moody’s”* means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

*“Nationally Recognized Statistical Rating Organization”* means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Securities Act.

*“Net Available Cash”* from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid, reasonably estimated to be actually payable or accrued as a liability under IFRS (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Company and after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition, including distributions for Related Taxes;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by applicable law be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Company or any of its respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition;
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition; and
- (5) any funded escrow established pursuant to the documents evidencing any such sale or disposition to secure any indemnification obligations or adjustments to the purchase price associated with any such Asset Disposition.

*“Net Cash Proceeds,”* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or reasonably estimated to be actually payable as a result of such issuance or sale (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such

proceeds to the Company and after taking into account any available tax credit or deductions and any tax sharing agreements, and including distributions for Related Taxes).

*“Non-Guarantor Debt Cap”* means an amount of (i) Indebtedness Incurred and/or Disqualified Stock or Preferred Stock issued pursuant to the first paragraph and clauses (1)(b), (1)(c), (11) and (13) of the second paragraph of the covenant described under *“Certain Covenants—Limitation on Indebtedness”* and (ii) Acquisition Debt Incurred pursuant to clause (v)(B) of the second paragraph of the covenant described under *“Certain Covenants—Limitation on Indebtedness,”* in each case by Restricted Subsidiaries that are not Guarantors, which shall not in aggregate exceed the greater of (x) €200.0 million and (y) 40.0% of LTM EBITDA at any time outstanding.

*“Obligations”* means any principal, interest (including Post-Petition Interest and fees accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or any Guarantor whether or not a claim for Post-Petition Interest or fees is allowed in such proceedings), penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and bankers’ acceptances), damages and other liabilities payable under the documentation governing any Indebtedness.

*“Offering Memorandum”* mean this offering memorandum, dated as of September 22, 2017, relating to the offering of Senior Notes and the Senior Secured Notes.

*“Officer”* means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Assistant Treasurer, any Managing Director, the Secretary or any Assistant Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of the Senior Notes Indenture by the Board of Directors of such Person.

*“Officer’s Certificate”* means, with respect to any Person, a certificate signed by one Officer of such Person.

*“Opinion of Counsel”* means a written opinion from legal counsel that is reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

*“Parentco”* means Nidda German Midco GmbH.

*“Parent Entity”* means any direct or indirect parent of the Company.

*“Parent Entity Expenses”* means:

- (1) costs (including all legal, accounting and other professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Notes Indenture or any other agreement or instrument relating to the Senior Notes, the Senior Notes Guarantees or any other Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed or delivered with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its articles, charter, by-laws, partnership agreement or other organizational documents or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;
- (3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;
- (4) any (x) general corporate overhead expenses, including all legal, accounting and other professional fees and expenses and (y) other operational expenses of any Parent Entity related to the ownership or operation of the business of the Company or any of the Restricted Subsidiaries;
- (5) expenses Incurred by any Parent Entity in connection with (i) any offering, sale, conversion or exchange of Subordinated Shareholder Funding, Capital Stock or Indebtedness and (ii) any related compensation paid to officers, directors and employees of such Parent Entity; and
- (6) amounts to finance Investments that would otherwise be permitted to be made pursuant to the covenant described above under *“Certain Covenants—Limitation on Restricted Payments”* if made by

the Company or a Restricted Subsidiary; *provided* that (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (B) such direct or indirect parent company shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Company or one of the Restricted Subsidiaries or (2) the merger, consolidation or amalgamation of the Person formed or acquired into the Company or one of the Restricted Subsidiaries in order to consummate such Investment, (C) such direct or indirect parent company and its Affiliates (other than the Company or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Company or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Senior Notes Indenture and such consideration or other payment is included as a Restricted Payment under the Senior Notes Indenture, (D) any property received by the Company shall not increase amounts available for Restricted Payments pursuant to clause (c) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*” or be an Excluded Contribution or Excluded Amount and (E) such Investment shall be deemed to be made by the Company or such Restricted Subsidiary pursuant to a provision of the covenant described under “*Certain Covenants—Limitation on Restricted Payments*” or pursuant to the definition of “Permitted Investments.”

“*Pari Passu Indebtedness*” means Indebtedness (a) of the Company which ranks equally in right of payment to the Senior Notes or (b) of any Guarantor which ranks equally in right of payment to the Senior Notes Guarantee of such Guarantor.

“*Paying Agent*” means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Senior Note on behalf of the Company.

“*Permitted Asset Swap*” means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents between the Company or any of the Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*.”

“*Permitted Collateral Liens*” means Liens on the Senior Notes Collateral:

- (a) that are described in one or more of clauses (3), (4), (5), (6), (7), (8), (15), (17), (18), (24), (26), (34) of the definition of “*Permitted Liens*” and Liens arising by operation of law that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Senior Notes Collateral;
- (b) Liens on the First-Priority Senior Notes Collateral to secure:
  - (i) the Senior Notes (other than Additional Senior Notes), including Senior Notes Guarantees;
  - (ii) Indebtedness of the Company described under (A) the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or (B) clauses (1)(a), (1)(b), (1)(c), (2) (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (10), (13) or (19) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” ((A) and (B) together, the “*PCL Debt Baskets*”), in each case to the extent that such Indebtedness constitutes *Pari Passu Indebtedness* of the Company; *provided* that such Liens rank equal with or junior to the Liens securing the Senior Notes;
  - (iii) Indebtedness of the Company permitted to be Incurred under the PCL Debt Baskets to the extent that such Indebtedness constitutes Subordinated Indebtedness of the Company; *provided* that such Liens rank junior to the Liens securing the Senior Notes;
  - (iv) Indebtedness of a Guarantor in the form of a guarantee of *Pari Passu Indebtedness* of the Company; *provided* that such Liens rank equal with or junior to the Liens securing the Senior Notes Guarantees;
  - (v) Indebtedness of a Guarantor in the form of a guarantee of Subordinated Indebtedness of the Company; *provided* that such Liens rank junior to the Liens securing the Senior Notes Guarantees; and

- (vi) any Refinancing Indebtedness in respect of Indebtedness set forth in the foregoing clauses (i) to (v); *provided* that any Lien securing such Refinancing Indebtedness shall have the same priority, relative to the Lien on such First-Priority Senior Notes Collateral securing the Senior Notes, as the Lien securing the original Indebtedness refinanced by such Refinancing Indebtedness;
- (c) Liens on the Senior Notes Collateral (other than the First-Priority Senior Notes Collateral) to secure:
  - (i) the Senior Notes (other than Additional Senior Notes), including Senior Notes Guarantees;
  - (ii) Indebtedness of the Company described under the PCL Debt Baskets; *provided* that (x) if such Indebtedness is Pari Passu Indebtedness of the Company, such Liens rank equal to or junior to the Liens securing the Notes, and (y) if such Indebtedness is Subordinated Indebtedness of the Company, such Liens rank junior to the Liens securing the Notes;
  - (iii) Indebtedness of a Guarantor permitted to be Incurred under the PCL Debt Baskets or clause (4)(a), (4)(b)(ii) or (4)(c) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”; *provided* that (x) if such Indebtedness is Senior Indebtedness of such Guarantor, such Liens rank (1) equal with all other Liens on such Senior Notes Collateral securing such Senior Indebtedness (*provided* that up to an amount of Indebtedness equal to the greater of (x) €400.0 million and (y) 80.0% of LTM EBITDA Incurred under a revolving credit facility and certain hedging obligations may have super senior priority status in respect of the proceeds from the enforcement of the Senior Notes Collateral that is not First-Priority Senior Notes Collateral and certain distressed disposals of assets, not materially less favorable to the Holders than that provided for in accordance with the Super Senior Liabilities (as defined in the Intercreditor Agreement as in effect on the Issue Date)) or (2) equal with or junior to the Liens on such Senior Notes Collateral securing the Senior Notes or the Senior Notes Guarantees; (y) if such Indebtedness is Pari Passu Indebtedness of such Guarantor, such Liens rank equal with or junior to the Liens on such Senior Notes Collateral securing the Senior Notes or the Senior Notes Guarantees and (z) if such Indebtedness is Subordinated Indebtedness of such Guarantor, such Liens rank junior to the Liens on such Senior Notes Collateral securing the Senior Notes or the Senior Notes Guarantees;
  - (iv) Indebtedness permitted to be Incurred under the PCL Debt Baskets of a Restricted Subsidiary that is not a Guarantor; *provided* that such Liens rank (1) equal with all other Liens on such Senior Notes Collateral securing Senior Indebtedness or Indebtedness of any Restricted Subsidiary that is not a Guarantor or (2) equal with or junior to the Liens on such Senior Notes Collateral securing the Senior Notes or the Senior Notes Guarantees; and
  - (v) any Refinancing Indebtedness in respect of Indebtedness set forth in the foregoing clauses (i) to (iv); *provided* that any Lien securing such Refinancing Indebtedness shall have the same priority, relative to the Lien on the same Senior Notes Collateral securing the Senior Notes or the Senior Notes Guarantees, as the Lien securing the original Indebtedness refinanced by such refinancing Indebtedness;
- (d) Liens on the Senior Notes Collateral Incurred in the ordinary course of business of the Company or any of the Restricted Subsidiaries with respect to obligations that in total do not exceed the greater of (i) €25.0 million and (ii) 5.0% of LTM EBITDA at any time outstanding and that (x) are not Incurred in connection with the borrowing of money and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Company’s or such Restricted Subsidiary’s business; or
- (e) Liens granted in compliance with clause (a)(2) of the first paragraph of the covenant described under “*Certain Covenants—Limitation on Liens*,”

*provided* that, in the case of clauses (b), (c), (d) and (e) of this definition of “*Permitted Collateral Liens*,” each of the secured parties to any such Indebtedness that exceeds an aggregate amount equal to the greater of (x) €50.0 million and (y) 10.0% of LTM EBITDA (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and *provided further* that for purposes of determining compliance with this definition, in the event that a Permitted Collateral Lien meets the criteria of more than one of the categories of Permitted Collateral Liens described in paragraphs (a) through (d) above, the Company will be permitted to classify such Permitted Collateral Lien on the date of its incurrence and reclassify such Permitted Collateral Lien at any time and in any manner that complies with this definition.



*“Permitted Holdco Transactions”* means any merger (on a solvent basis) of a German Holdco with the Target, with German Holdco as the surviving entity, and/or any merger (on a solvent basis) of German Holdco with the Senior Secured Notes Issuer with the Senior Secured Notes Issuer as the surviving entity; *provided* that to the extent that any Security Interests granted over the shares in the capital of a Person or other assets of a Person subject to a Permitted Holdco Transaction constituted a Lien in favor of the Senior Notes immediately prior to a Permitted Holdco Transaction, the direct holding company of the relevant surviving entity of the Permitted Holdco Transaction and/or such surviving entity shall, subject to the Agreed Security Principles, grant Security Interests over the shares in the capital and such other assets of such surviving entity on substantially equivalent terms to any Security Interests granted over the shares in the capital or other assets of such predecessor Person immediately prior to such Permitted Holdco Transaction.

*“Permitted Holders”* means, collectively, (i) the Initial Investors, (ii) any one or more Persons, together with such Persons’ Affiliates, whose beneficial ownership constitutes or results in a Change of Control Triggering Event in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Notes Indenture, (iii) the Management Stockholders, (iv) any Person who is acting solely as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Company, acting in such capacity, and (v) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, Persons referred to in subclauses (i) through (iv), collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Company or any Parent Entity held by such group.

*“Permitted Investment”* means (in each case, by the Company or any of the Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person and as a result of such Investment such other Person is merged, amalgamated, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business or consistent with past practice;
- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business or consistent with past practice;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Company or any Restricted Subsidiary or in exchange for any other Investment or accounts receivable held by the Company or any such Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or otherwise with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition;
- (9) Investments existing or pursuant to agreements or arrangements in effect on the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise not prohibited under the Senior Notes Indenture;
- (10) Hedging Obligations, which transactions or obligations are Incurred in compliance with *“Certain Covenants—Limitation on Indebtedness”*;



- (11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “*Certain Covenants—Limitation on Liens*”;
- (12) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;
- (13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (6), (7), (8), (9), (12) and (14) of that paragraph);
- (14) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business or consistent with past practices, and in accordance with the Senior Notes Indenture;
- (15) any (a) Guarantees of Indebtedness not prohibited by the covenant described under “*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business, and (b) performance guarantees with respect to obligations that are not prohibited by the Senior Notes Indenture;
- (16) Investments consisting of earnest money deposits required in connection with a purchase agreement, or letter of intent, or other acquisitions to the extent not otherwise prohibited by the Senior Notes Indenture;
- (17) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged or amalgamated into the Company or merged or amalgamated into or consolidated with a Restricted Subsidiary after the Issue Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;
- (18) Investments consisting of licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons;
- (19) contributions to a “rabbi” trust for the benefit of employees or other grantor trust subject to claims of creditors in the case of a bankruptcy of the Company;
- (20) Investments in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of (a) €150.0 million and (b) 30.0% of LTM EBITDA at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled “*Certain Covenants—Limitation on Restricted Payments*” of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided, however*, that if any Investment pursuant to this clause is made in any Person that is not the Company or a Restricted Subsidiary at the date of the making of such Investment and such Person becomes the Company or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant to this clause for so long as such Person continues to be the Company or a Restricted Subsidiary;
- (21) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (21) that are at that time outstanding, not to exceed the greater of (a) €175.0 million and (b) 35.0% of LTM EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled “*Certain Covenants—Limitation on Restricted Payments*” of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided, however*, that if any

Investment pursuant to this clause is made in any Person that is not the Company or a Restricted Subsidiary at the date of the making of such Investment and such Person becomes the Company or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant for so long as such Person continues to be the Company or a Restricted Subsidiary;

- (22) any Investment in a Similar Business having an aggregate fair market value, taken together with all other Investments made pursuant to this clause that are at that time outstanding, not to exceed the greater of (a) €125.0 million and (b) 25.0% of LTM EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled “*Certain Covenants—Limitation on Restricted Payments*” of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided, however*, that if any Investment pursuant to this clause is made in any Person that is not the Company or a Restricted Subsidiary at the date of the making of such Investment and such Person becomes the Company or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant to this clause for so long as such Person continues to be the Company or a Restricted Subsidiary;
- (23) Investments (a) arising in connection with a Qualified Securitization Financing or Receivables Facility and (b) constituting distributions or payments of Securitization Fees and purchases of Securitization Assets or Receivables Assets in connection with a Qualified Securitization Financing or Receivables Facility;
- (24) Investments in connection with the Transactions;
- (25) Investments (including repurchases) in Indebtedness of the Company and the Restricted Subsidiaries;
- (26) Investments by an Unrestricted Subsidiary entered into prior to the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described under “*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*”;
- (27) guaranty and indemnification obligations arising in connection with surety bonds issued in the ordinary course of business;
- (28) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business or consistent with past practice or made in the ordinary course of business or consistent with past practice in connection with obtaining, maintaining or renewing client contacts and loans or advances made to distributors in the ordinary course of business;
- (29) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business or consistent with past practice;
- (30) Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection of deposit and Article 4 customary trade arrangements with customers consistent with past practices; and
- (31) transactions entered into in order to consummate a Permitted Tax Restructuring.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness and other Obligations of any Restricted Subsidiary that is not a Guarantor;
- (2) pledges, deposits or Liens under workmen’s compensation laws, old-age-part-time arrangements, payroll taxes, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure the performance of bids, trade contracts, government contracts and leases, statutory obligations, surety, stay, indemnity, judgment, customs, appeal or performance bonds,

guarantees of government contracts, return-of-money bonds, bankers' acceptance facilities (or other similar bonds, instruments or obligations), obligations in respect of letters of credit, bank guarantees or similar instruments that have been posted to support the same, or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business; or consistent with past practice;

- (3) Liens with respect to outstanding motor vehicle fines and Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's, construction contractors' or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for Taxes, assessments or governmental charges which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS (or other applicable accounting principles) have been made in respect thereof;
- (5) encumbrances, charges, ground leases, easements (including reciprocal easement agreements), survey exceptions, restrictions, encroachments, protrusions, by-law, regulation, zoning restrictions or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and the Restricted Subsidiaries or to the ownership of their properties, including servicing agreements, development agreements, site plan agreements, subdivision agreements, facilities sharing agreements, cost sharing agreements and other agreements, which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and the Restricted Subsidiaries;
- (6) Liens (a) on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations or Cash Management Services permitted under the Senior Notes Indenture; (b) that are statutory, common law or contractual rights of set-off (including, for the avoidance of doubt, Liens arising under the general terms and conditions of banks or saving banks (*Allgemeine Geschäftsbedingungen der Banken und Sparkassen*)) or, in the case of clause (i) or (ii) below, other bankers' Liens (i) relating to treasury, depository and Cash Management Services or any automated clearing house transfers of funds in the ordinary course of business and not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts to permit satisfaction of overdraft or similar obligations Incurred in the ordinary course of business of the Company or any Subsidiary or (iii) relating to purchase orders and other agreements entered into with customers of the Company or any Restricted Subsidiary in the ordinary course of business; (c) on cash accounts securing Indebtedness and other Obligations permitted to be Incurred under clauses (8)(d) or (8)(e) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" with financial institutions; (d) encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts Incurred in the ordinary course of business, consistent with past practice and not for speculative purposes; (e) of a collection bank arising under Section 4-210 of the UCC on items in the course of collection; (f) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off) arising in the ordinary course of business in connection with the maintenance of such accounts and/or (g) arising under customary general terms of the account bank in relation to any bank account maintained with such bank and attaching only to such account and the products and proceeds thereof, which Liens, in any event, do not secure any Indebtedness;
- (7) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (8) Liens securing or otherwise arising out of judgments, decrees, attachments, orders or awards not giving rise to an Event of Default so long as (a) any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated, (b) the period within which such proceedings may be initiated has not expired or (c) no more than 60 days have passed after (i) such judgment, decree, order or award has become final or (ii) such period within which such proceedings may be initiated has expired;

- (9) Liens (i) on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations, or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing Indebtedness or other Obligations Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or consistent with past practice; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Senior Notes Indenture and (b) any such Liens may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property and (ii) any interest or title of a lessor under any Capitalized Lease Obligations or operating lease;
- (10) Liens perfected or evidenced by UCC financing statement filings, including precautionary UCC financing statements (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and the Restricted Subsidiaries in the ordinary course of business;
- (11) (a) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date (other than Liens securing the Senior Facilities);
- (12) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, amalgamation, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (13) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other Obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;
- (14) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that were previously so secured, and permitted to be secured under the Senior Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness or other Obligations being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (15) Liens constituting (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (16) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (17) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (18) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (19) Liens securing Indebtedness and other Obligations under clauses (11) or (19) (provided that, in the case of clause (11), such Liens cover only the assets of such Subsidiary) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”;
- (20) Permitted Collateral Liens (other than pursuant to clause (e) of such definition;



- (21) Liens (a) on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary and (b) then existing with respect to assets of an Unrestricted Subsidiary on the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described under “*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*”;
- (22) any security granted over the marketable securities portfolio described in clause (8) of the definition of “Cash Equivalents” in connection with the disposal thereof to a third party;
- (23) Liens on (a) goods the purchase price of which is financed by a documentary letter of credit issued for the account of the Company or any Restricted Subsidiary or Liens on bills of lading, drafts or other documents of title arising by operation of law or pursuant to the standard terms of agreements relating to letters of credit, bank guarantees and other similar instruments and (b) specific items of inventory of other goods and proceeds of any Person securing such Person’s obligations in respect of bankers’ acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (24) Liens on equipment of the Company or any Restricted Subsidiary and located on the premises of any client or supplier in the ordinary course of business;
- (25) Liens on assets or securities deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets or securities if such sale is otherwise permitted by the Senior Notes Indenture;
- (26) Liens arising by operation of law or contract on insurance policies and the proceeds thereof to secure premiums thereunder, and Liens, pledges and deposits in the ordinary course of business securing liability for premiums or reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefits of) insurance carriers;
- (27) Liens solely on any cash earnest money deposits made in connection with any letter of intent or purchase agreement permitted under the Senior Notes Indenture;
- (28) Liens (a) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Permitted Investments to be applied against the purchase price for such Investment, and (b) consisting of an agreement to sell any property in an asset sale permitted under the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” in each case, solely to the extent such Investment or asset sale, as the case may be, would have been permitted on the date of the creation of such Lien;
- (29) Liens securing Indebtedness and other Obligations in an aggregate principal amount not to exceed the greater of (a) €125.0 million and (b) 25.0% of LTM EBITDA at the time Incurred;
- (30) Liens deemed to exist in connection with Investments in repurchase agreements permitted by the covenant described under “*Certain Covenants—Limitation on Indebtedness*” provided that such Liens do not extend to any assets other than those that are the subject of such repurchase agreement;
- (31) Liens arising in connection with a Qualified Securitization Financing or a Receivables Facility;
- (32) Settlement Liens;
- (33) rights of recapture of unused real property in favor of the seller of such property set forth in customary purchase agreements and related arrangements with any government, statutory or regulatory authority;
- (34) the rights reserved to or vested in any Person or government, statutory or regulatory authority by the terms of any lease, license, franchise, grant or permit held by the Company or any Restricted Subsidiary or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;
- (35) restrictive covenants affecting the use to which real property may be put;
- (36) Liens or covenants restricting or prohibiting access to or from lands abutting on controlled access highways or covenants affecting the use to which lands may be put; *provided* that such Liens or covenants do not interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiary;
- (37) Liens arising in connection with any Permitted Tax Restructuring;



- (38) Liens required to be granted under mandatory law in favor of creditors as a consequence of a merger or conversion permitted under the Senior Notes Indenture due to §§ 22, 204 German Transformation Act (*Umwandlungsgesetz—UmwG*);
- (39) Liens on Escrowed Proceeds or Liens for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities are held in an escrow account or similar arrangement;
- (40) Liens arising in connection with any joint and several liability or any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity (*fiscale eenheid*) for Dutch corporate income tax or value added tax purposes or any analogous arrangement in any other jurisdiction of which the Company or a Restricted Subsidiary is or becomes a member; and
- (41) Liens securing any Senior Indebtedness (*provided* that unless such Lien is a Permitted Collateral Lien, such Lien will rank equally with all other Liens on such property or assets securing such Senior Indebtedness).

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Company in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Senior Notes Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

“*Permitted Reorganization*” means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Company or any of the Restricted Subsidiaries (a “*Reorganization*”) that is made on a solvent basis; *provided* that:

- (a) any payments or assets distributed in connection with such Reorganization remain within the Company and the Restricted Subsidiaries; and
- (b) if any shares or other assets form part of the Senior Notes Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Senior Notes Collateral,

*provided further* that no Permitted Reorganization may override the provisions of the covenant described under “*Merger and Consolidation*.”

“*Permitted Tax Distribution*” means:

- (a) if and for so long as the Company is a member of a fiscal unity (whether resulting from a domination and profit or loss pooling agreement or otherwise) with any Parent Entity, any dividends or other distributions, intercompany loans or other intercompany balances to fund any income Taxes for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis calculated as if the Company and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries; and
- (b) for any taxable year (or portion thereof) ending after the Issue Date for which the Company is treated as a disregarded entity, partnership, or other flow-through entity for federal, state, provincial, territorial, and/or local income Tax purposes, the payment of dividends or other distributions to the Company’s direct owner(s) to fund the income Tax liability of such owner(s) (or, if a direct owner is a pass-through entity, of the indirect owner(s)) for such taxable year (or portion thereof) attributable to the operations and activities of the Company and its direct and indirect Subsidiaries,

in an aggregate amount not to exceed the product of (x) the highest combined marginal federal and applicable state, provincial, territorial, and/or local statutory income Tax rate (after taking into account the deductibility of U.S. state and local income Tax for U.S. federal income Tax purposes) and (y) the taxable income of the Company for such taxable year (or portion thereof).

*“Permitted Tax Restructuring”* means any reorganizations and other activities related to tax planning and tax reorganization entered into prior to, on or after the date hereof so long as such Permitted Tax Restructuring is not materially adverse to the Holders (as determined by the Company in good faith).

*“Person”* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

*“Post-Petition Interest”* means any interest or entitlement to fees or expenses or other charges that accrue after the commencement of any bankruptcy or insolvency proceeding, whether or not allowed or allowable as a claim in any such bankruptcy or insolvency proceeding.

*“Preferred Stock,”* as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

*“Public Debt”* means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the Securities Act and/or (ii) a private placement to institutional and other investors, in each case, that are not Affiliates of the Company, in accordance with Rule 144A and/or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

*“Public Offering”* means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

*“Purchase Money Obligations”* means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

*“Qualified Securitization Financing”* means any Securitization Facility that meets the following conditions: (i) the Board of Directors shall have determined in good faith that such Qualified Securitization Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Restricted Subsidiaries, (ii) all sales of Securitization Assets and related assets by the Company or any Restricted Subsidiary to the Securitization Subsidiary or any other Person are made for fair consideration (as determined in good faith by the Company) and (iii) the financing terms, covenants, termination events and other provisions thereof shall be fair and reasonable terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

*“Receivables Assets”* means (a) any accounts receivable owed to the Company or a Restricted Subsidiary subject to a Receivables Facility and the proceeds thereof and (b) all collateral securing such accounts receivable, all contracts and contract rights, guarantees or other obligations in respect of such accounts receivable, all records with respect to such accounts receivable and any other assets customarily transferred together with accounts receivable in connection with a non-recourse accounts receivable factoring arrangement and which are sold, conveyed, assigned or otherwise transferred or pledged by the Company or such Restricted Subsidiary (as applicable) in a transaction or series of transactions in connection with a Receivables Facility.

*“Receivables Facility”* means an arrangement between the Company or a Restricted Subsidiary and a counterparty pursuant to which (a) the Company or such Restricted Subsidiary, as applicable, sells (directly or indirectly) accounts receivable owing by customers, together with Receivables Assets related thereto, (b) the obligations of the Company or such Restricted Subsidiary, as applicable, thereunder are non-recourse (except for Securitization Repurchase Obligations) to the Company and such Restricted Subsidiary and (c) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings, and shall include any guaranty in respect of such arrangements.

*“Refinance”* means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the

terms “*refinances*,” “*refinanced*” and “*refinancing*” as used for any purpose in the Senior Notes Indenture shall have a correlative meaning.

“*Refinancing Indebtedness*” means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Issue Date or Incurred in compliance with the Senior Notes Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) (a) such Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded or refinanced; and (b) to the extent such Refinancing Indebtedness refinances Subordinated Indebtedness, Disqualified Stock or Preferred Stock, such Refinancing Indebtedness is Subordinated Indebtedness, Disqualified Stock or Preferred Stock, respectively, and, in the case of Subordinated Indebtedness, is subordinated to the Senior Notes and/or the Senior Notes Guarantees (as applicable) on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;
- (2) Refinancing Indebtedness shall not include:
  - (i) Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Company or a Guarantor; or
  - (ii) Indebtedness, Disqualified Stock or Preferred Stock of the Company or a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary; and
- (3) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including premiums, accrued and unpaid interest and defeasance costs) under the Indebtedness being Refinanced.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

“*Related Fund*” means in relation to a fund (the first fund), a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

“*Related Taxes*” means any Taxes, including sales, use, transfer, rental, *ad valorem*, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes and other fees and expenses (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* that such Taxes are in fact paid) by any Parent Entity by virtue of its:

- (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company’s Subsidiaries) or otherwise maintain its existence or good standing under applicable law;
- (b) (i) being a holding company parent, directly or indirectly, of the Company or any Subsidiaries of the Company;
- (c) issuing or holding Subordinated Shareholder Funding;
- (c) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any Subsidiaries of the Company; or

(d) having made any (i) payment in respect to any of the items for which the Company is permitted to make payments to any Parent Entity pursuant to “*Certain Covenants—Limitation on Restricted Payments*” or (ii) Permitted Tax Distribution.

“*Reserved Indebtedness Amount*” has the meaning set forth in the covenant described under “*Certain Covenants—Limitation on Indebtedness*.”

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“*Revolving Credit Facility*” means the €400.0 million (equivalent) revolving credit facility under the Senior Facilities Agreement.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Sale and Leaseback Transaction*” means any arrangement providing for the leasing by the Company or any of the Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Company or such Restricted Subsidiary to a third Person in contemplation of such leasing.

“*SEC*” means the Securities and Exchange Commission or any successor thereto.

“*Securities Act*” means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Securitization Asset*” means (a) any accounts receivable, mortgage receivables, loan receivables, royalty, patent or other revenue streams and other rights to payment or related assets and the proceeds thereof and (b) all collateral securing such receivable or asset, all contracts and contract rights, guarantees or other obligations in respect of such receivable or asset, lockbox accounts and records with respect to such account or asset and any other assets customarily transferred (or in respect of which security interests are customarily granted) together with accounts or assets in connection with a securitization, factoring or receivable sale transaction.

“*Securitization Facility*” means any of one or more securitization, financing, factoring or sales transactions, as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, pursuant to which the Company or any of the Restricted Subsidiaries sells, transfers, pledges or otherwise conveys any Securitization Assets (whether now existing or arising in the future) to a Securitization Subsidiary or any other Person.

“*Securitization Fees*” means distributions or payments made directly or by means of discounts with respect to any Securitization Asset or participation interest therein issued or sold in connection with, and other fees and expenses (including reasonable fees and expenses of legal counsel) paid in connection with, any Qualified Securitization Financing or Receivables Facility.

“*Securitization Repurchase Obligation*” means any obligation of a seller of Securitization Assets or Receivables Assets in a Qualified Securitization Financing or a Receivables Facility to repurchase or otherwise make payments with respect to Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“*Securitization Subsidiary*” means any Subsidiary of the Company in each case formed for the purpose of and that solely engages in one or more Qualified Securitization Financings and other activities reasonably related thereto or another Person formed for this purpose.

“*Senior Facilities*” means the Senior Term Loans and the Revolving Credit Facility.

“*Senior Facilities Agreement*” means the senior facilities agreement entered into on August 17, 2017, by and among the Senior Secured Notes Issuer, the other borrowers party thereto, the guarantors from time to time party thereto, Barclays Bank PLC, as agent and U.S. Bank Trustees Limited as security agent, and each lender from time to time party thereto, together with the related documents thereto (including the revolving loans thereunder, any letters of credit and reimbursement obligations related thereto, any Guarantees and security documents), as amended, extended, renewed, restated, refunded, replaced, refinanced, supplemented, modified or otherwise changed (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

“*Senior Indebtedness*” means, whether outstanding on the Issue Date or thereafter incurred, all amounts payable by, under or in respect of all other Indebtedness of any Restricted Subsidiary, including premia and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Restricted Subsidiary at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided* that Senior Indebtedness will not include:

- (1) any Indebtedness Incurred in violation of the Senior Notes Indenture;
- (2) any obligation of any Guarantor to any Restricted Subsidiary;
- (3) any liability for taxes owed or owing by any Guarantor;
- (4) Pari Passu Indebtedness, any Indebtedness expressly junior in right of payment to any other Indebtedness of such Restricted Subsidiary, any Subordinated Shareholder Funding, any Subordinated Indebtedness and any Capital Stock; or
- (5) any accounts payable or other liability to trade creditor arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities).

“*Senior Notes Collateral*” means the First-Priority Senior Notes Collateral and the Shared Senior Notes Collateral and any and all other assets from time to time in which a Security Interest has been or will be granted pursuant to any Senior Notes Security Document to secure the obligations under the Senior Notes Indenture, the Senior Notes and/or any Senior Notes Guarantee.

“*Senior Notes Documents*” means the Senior Notes (including Additional Senior Notes), the Senior Notes Indenture (including the Senior Notes Guarantees), the Senior Notes Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

“*Senior Notes Guarantee*” means means the joint and several guarantee of the obligations under the Senior Notes and the Senior Notes Indenture on a senior subordinated basis by each Guarantor

“*Senior Notes Indenture*” means the indenture dated as of the Issue Date, between, *inter alios*, the Company, the Guarantors, the Trustee and the Security Agent.

“*Senior Notes Security Documents*” means all security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the Security Interests in the Senior Notes Collateral.

“*Senior Secured Bridge Facility*” means the €485.0 million senior secured bridge facility made available under a bridge facility agreement dated as of August 17, 2017, among, *inter alios*, the Senior Secured Notes Issuer and the lenders as defined therein.

“*Senior Secured Notes*” means the 3.50% Senior Secured Notes due 2024 issued by the Senior Secured Notes Issuer on the Issue Date (and any additional Senior Secured Notes issued thereafter).

“*Senior Secured Notes Collateral*” means any and all assets from time to time in which a security interest has been or will be granted pursuant to any Senior Secured Security Document to secure the obligations under the Senior Secured Notes Indenture, the Senior Secured Notes and/or any Senior Secured Notes Guarantee.

“*Senior Secured Notes Guarantee*” means the joint and several guarantee of the obligations under the Senior Secured Notes and the Senior Secured Notes Indenture on a senior secured basis by each Guarantor other than the Senior Secured Notes Issuer.

“*Senior Secured Notes Indenture*” means the indenture, dated as of the Issue Date, between, *inter alios*, the Senior Secured Notes Issuer, the guarantors of the Senior Secured Notes, the trustee in respect of the Senior Secured Notes and the security agent in respect of the Senior Secured Notes.

“*Senior Secured Notes Issuer*” means Nidda Healthcare Holding AG.

“*Senior Secured Security Documents*” means all security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Secured Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the Security Interests in the Senior Secured Notes Collateral.



“*Senior Term Loan*” means a loan under a term loan facility made under the Senior Facilities Agreement or the principal amount outstanding of such loan.

“*Senior Term Loan Escrow Account*” means any bank account held by the Company or the Target into which the proceeds of any Senior Term Loan are deposited for the purposes permitted under the Senior Facilities Agreement, which is designated as an “Acquisition Escrow Account” or a “Refinancing Escrow Account,” as the case may be, by the Company, as the same may be re-designated, substituted or replaced from time to time.

“*Senior Unsecured Bridge Facility*” means the €340.0 million senior unsecured bridge facility made available under a bridge facility agreement dated as of August 17, 2017, among, *inter alios*, the Company and the lenders as defined therein.

“*Settlement*” means the transfer of cash or other property with respect to any credit or debit card charge, check or other instrument, electronic funds transfer, or other type of paper-based or electronic payment, transfer, or charge transaction for which a Person acts as a processor, remitter, funds recipient or funds transmitter in the ordinary course of its business.

“*Settlement Asset*” means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a Person in consideration for a Settlement made or arranged, or to be made or arranged, by such Person or an Affiliate of such Person.

“*Settlement Indebtedness*” means any payment or reimbursement obligation in respect of a Settlement Payment.

“*Settlement Lien*” means any Lien relating to any Settlement or Settlement Indebtedness (and may include, for the avoidance of doubt, the grant of a Lien in or other assignment of a Settlement Asset in consideration of a Settlement Payment, Liens securing intraday and overnight overdraft and automated clearing house exposure, and similar Liens).

“*Settlement Payment*” means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

“*Settlement Receivable*” means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a Person in consideration for a Settlement made or arranged, or to be made or arranged, by such Person.

“*Shared Senior Notes Collateral*” means any Senior Notes Collateral other than First-Priority Senior Notes Collateral, including the Shared Senior Notes Issue Date Collateral

“*Shareholder Contribution*” means shareholder funding in connection with an Acquisition (whether on or about the Completion Date or thereafter) to be provided by the Initial Investors to the Company through wholly owned or majority-owned intermediate holding companies by way of an equity contribution and subordinated shareholder debt; *provided* that the aggregate amount of such shareholder funding counted as a Shareholder Contribution shall not exceed as of any date of determination the minimum amount of shareholder funding required on the Completion Date under the Senior Facilities Agreement plus the minimum amount of shareholder funding required pursuant to the Senior Facilities Agreement after the Completion Date in connection with any Post-Closing Equity Contribution (as defined in the Senior Facilities Agreement from time to time) required under the Senior Facilities Agreement (if any).

“*Significant Subsidiary*” means any Restricted Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the Issue Date.

“*Similar Business*” means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“*Squeeze-Out*” means the squeeze-out procedure to acquire the Target Shares held by minority shareholders of the Target pursuant to either Section 327a *et seqq.* German Stock Corporation Act (*Aktiengesetz—AktG*), Section 39a of the German Takeover Code or Section 62 paragraph 5 German Reorganization Act (*Umwandlungsgesetz—UmwG*).

“*Standard Securitization Undertakings*” means representations, warranties, covenants, guarantees and indemnities entered into by the Company or any Subsidiary of the Company which the Company has

determined in good faith to be customary in a Securitization Facility, including those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking or, in the case of a Receivables Facility, a non-credit related recourse accounts receivable factoring arrangement.

*“Stated Maturity”* means, with respect to any Indebtedness, the date specified in the instrument governing such Indebtedness as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

*“Subordinated Indebtedness”* means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Senior Notes or the Senior Notes Guarantees pursuant to a written agreement.

*“Subordinated Shareholder Funding”* means, collectively, any funds provided to the Company by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the date that is six months after the Stated Maturity of the Senior Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six months after the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to the date that is six months after the Stated Maturity of the Senior Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the date that is six months after the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months after the Stated Maturity of the Senior Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six months after the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries;
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Notes and any Senior Notes Guarantee pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the “Subordinated Liabilities” (as defined therein);
- (6) is not Guaranteed by any Subsidiary of the Company;
- (7) contains restrictions on transfer to a Person who is not a Parent Entity, any Affiliate of any Parent Entity, any holder of Capital Stock of a Parent Entity or any Affiliate of a Parent Entity or any Permitted Holder or any Affiliate thereof; *provided* that any transfer of Subordinated Shareholder Funding to any of the foregoing persons shall not be deemed to be materially adverse to the interests of the Holders; and

- (8) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Senior Notes or any Senior Notes Guarantee or compliance by the Company or any Guarantor with its obligations under the Senior Notes, any Senior Notes Guarantee or the Senior Notes Indenture.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Target*” means STADA Arzneimittel Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, under HRB 71290.

“*Target Shares*” means the stock representing the issued capital of the Target listed on the Frankfurt Stock Exchange, but excluding any treasury shares.

“*Target Warrants*” means any warrant, option or other similar instrument entitling the holder thereof to purchase Target Shares.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

“*Temporary Cash Investments*” means any of the following:

- (1) any Investment in:
  - (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) the United Kingdom, (iv) Japan, Australia, Switzerland or Norway, (v) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (vi) any agency or instrumentality of any such country or member state; or
  - (b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P or “A-1” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any lender under the Senior Facilities; or
  - (b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of €250.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least “A” by S&P or “A-2” by Moody’s (or, in either case, the

equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of the Restricted Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state, the United Kingdom or Japan, Australia, Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (6) bills of exchange issued in the United States, Canada, a member state of the European Union, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) Investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

*"Total Assets"* means, as of any date, the total consolidated assets of the Company and the Restricted Subsidiaries on a consolidated basis, as shown on the most recent consolidated balance sheet of the Company and the Restricted Subsidiaries prepared in accordance with IFRS, determined on a pro forma basis in a manner consistent with the pro forma basis contained in the definition of Fixed Charge Coverage Ratio (excluding, for the avoidance of doubt, the further proviso to the first paragraph of such definition).

*"Transaction Expenses"* means any fees or expenses Incurred or paid by the Company or any Restricted Subsidiary in connection with the Transactions, including any fees, costs and expenses associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

*"Transactions"* shall have the meaning assigned to such term in this Offering Memorandum.

*"Trust Indenture Act"* means the Trust Indenture Act of 1939, as amended.

*"UCC"* means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided, however*, that at any time, if by reason of mandatory provisions of law, any or all of the perfection or priority of a collateral agent's security interest in any item or portion of the Senior Notes Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions relating to such provisions.

“*Unrestricted Subsidiary*” means:

- (1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Company in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock of the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment, if any, of the Company in such Subsidiary complies with “*Certain Covenants—Limitation on Restricted Payments*.”

“*U.S. Bankruptcy Code*” means Title 11 of the United States Code, as amended.

“*Voting Stock*” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

- (1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment; by
- (2) the sum of all such payments.

“*Wholly Owned Subsidiary*” means a Restricted Subsidiary, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.



## **BOOK-ENTRY, DELIVERY AND FORM**

### **General**

Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the “144A Global Notes”). Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “Regulation S Global Notes” and, together with the “144A Global Notes,” the “Global Notes”). The Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes (“144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Notes (the “Regulation S Book-Entry Interest” and, together with the 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by, Euroclear and Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or “holder” of Notes under the Indentures for any purpose.

So long as the Notes are held in global form, the common depository Euroclear and/or Clearstream (or its respective nominee), will be considered the holder of Global Notes for all purposes under the Indentures. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indentures.

None of the Issuers, the Trustees, Paying Agent, Transfer Agent or Registrar under the Indentures nor any of the Issuers’ respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### **Issuance of Definitive Registered Notes**

Under the terms of the Indentures, owners of Book-Entry Interests will receive definitive registered Notes in certificated form (the “Definitive Registered Notes”):

- if Euroclear or Clearstream notifies the relevant Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the relevant Issuer within 120 days; or
- if the owner of a Book-Entry interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under an Indenture and enforcement action is being taken in respect thereof under the relevant Indenture.

In such an event, the relevant Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in “*Notice to Investors*,” unless that legend is not required by the Indentures or applicable law.

### **Redemption of Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the

holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuers understand that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

### **Payments on Global Notes**

Each of the Issuers will make payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuers to the respective Paying Agent. In turn, each Paying Agent will make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indentures governing the Notes, the Issuers, the Trustees, Paying Agent, Transfer Agent, and Registrar will treat the registered holder of the Global Notes (i.e., the common depository for Euroclear or Clearstream (or its nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuers, the Trustees, Paying Agent, Transfer Agent, and Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

### **Currency and Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes through Euroclear and/or Clearstream in Euro.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised each Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

### **Transfers**

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors.*" Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors.*"

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the offering (the "40-day Period"), beneficial interests in a Regulation S Global Note may be

transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the applicable Trustee a certificate (in the form provided in the applicable Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the applicable Trustee of a written certification (in the form provided in the applicable Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act (if available).

Subject to the foregoing, and as set forth in “*Notice to Investors*,” Book-Entry Interests may be transferred and exchanged as described under “*Description of the Senior Secured Notes—Transfer and Exchange*” and “*Description of the Senior Notes—Transfer and Exchange*.” Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of the Senior Secured Notes—Transfer and Exchange*” and “*Description of the Senior Notes—Transfer and Exchange*” and, if required, only if the transferor first delivers to the applicable Trustee a written certificate (in the form provided in the applicable Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Notice to Investors*.”

#### **Information Concerning Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuers, the Trustees, the Paying Agent, the Transfer Agent, the Registrar or the Initial Purchasers is responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition,

owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

### **Global Clearance and Settlement Under the Book-Entry System**

The Notes represented by the Global Notes are expected to be listed on the Official List of Exchange. The Issuers expect that secondary trading in any certificated Notes will also be settled in immediately available funds.

### **Initial Settlement**

Initial settlement for the Notes will be made in Euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the Business Day following the settlement date against payment for value on the settlement date.

### **Secondary Market Trading**

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## CERTAIN TAX CONSEQUENCES

### German Taxation

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state or local or church taxes under the tax laws applicable in the federal republic of Germany and each country of which they are residents or whose tax laws apply to them for other reasons.

### Withholding Tax

Ongoing interest payments received by an individual holder of the Notes who is a German tax resident (i.e. persons whose residence, habitual abode, statutory seat or place of effective management and control is located in Germany) will be subject to German withholding tax (*Kapitalertragsteuer*) if the Notes are kept or administered in a custodial account with or presented for an over-the-counter payment to a German branch of a German or non-German bank or financial services institution, securities trading company or securities trading bank (each, a “Disbursing Agent,” *auszahlende Stelle*). The withholding tax rate to be withheld by the Disbursing Agent is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable). Church tax will be collected by the Disbursing Agent by way of withholding unless the holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the holders will have to include the income in the tax return and will then be assessed for church tax. The Issuer of the Notes should under German law not be required to deduct withholding tax from the proceeds of the investment in the Notes.

The same treatment applies to capital gains (i.e., the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal and the cost of acquisition taking into account currency gains and losses, if any) and interest accrued on the Notes (“Accrued Interest,” *Stückzinsen*) derived by an individual holder who is a German tax resident irrespective of any holding period provided that the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If interest coupons or interest claims are disposed of separately (i.e., without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest coupons or interest claims if the Notes have been disposed of separately.

To the extent that the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon their disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (plus Accrued Interest, if any), unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Union, the European Economic Area or the countries/territories Luxembourg, Austria, the Swiss Confederation, the Principality of Liechtenstein, the Republic of San Marino, the Principality of Monaco, the Principality of Andorra, Curacao and Sint Maarten. If the withholding tax on a disposal, redemption, repayment or assignment of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than from the actual gain), a German tax resident individual holder may also apply for an assessment on the basis of its actual acquisition costs; however, in case the actual gain is higher than 30% of the disposal proceeds a German tax resident individual holder is obliged to apply for an assessment on the basis of its actual acquisition costs.

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (e.g., losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on



investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax authorities.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German tax resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax authorities) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same may apply where the Notes form part of a trade or business (of an individual or of a commercial partnership) subject to further requirements being met.

Non-residents of Germany are, in general, not subject to German withholding tax on investment income and the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as outlined below under “—Taxation of Current Income and Capital Gains—Non-Tax Residents”) and the Notes are held in a custodial account with a German Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty (*Doppelbesteuerungsabkommen*).

## **Taxation of Current Income and Capital Gains**

### ***Tax Residents***

This subsection “—Tax Residents” refers to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Notes held by an individual holder who is tax resident in Germany is in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld (as described under “—Withholding Tax” above). To the extent that withholding tax has not been levied, such as in the case of Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than the actual gain), the individual holder must include its interest income and capital gains derived from the Notes in its annual tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). Further, an individual holder may apply for a taxation of all investment income of a given year at its lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Notes may only be offset with investment income of the individual holder realized in the same or following assessment periods.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated January 18, 2016 (as last amended on June 16, 2016) a bad debt-loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent that the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal. Accordingly, losses suffered upon such bad debt-loss or waiver are not tax-deductible if the Notes are held as private investment (*Privatvermögen*). The same rules should apply according to that tax decree, if the Notes expire worthless so that losses may not be tax-deductible at all.

Losses suffered from a sale of Notes will only be recognized according to the view of the tax authorities if the proceeds received in the sale exceed the respective transaction costs.

Where Notes form part of a trade or business of an individual or corporate holder or the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax). Where Notes form part of a trade or business, interest (including Accrued Interest) and capital gains must be taken into account as income. The respective holder must include income and related (business) expenses in the annual tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, be refunded. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax (*Gewerbesteuer*). The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*). If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

### ***Non-Tax Residents***

This subsection “—*Non-Tax Residents*” refers to persons who are not tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, and place of effective management and control is not located in Germany).

Interest and capital gains (which include Accrued Interest and currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax-resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income (such as income from the letting and leasing of certain German-situs property or income from capital investments directly or indirectly secured by German-situs real estate or income from a hybrid instrument issued by a German tax resident issuer, unless the Notes qualify as global certificates (*Sammelurkunden*) within the meaning of Section 9a of the German Custody Act (*Depotgesetz*) or as fungible notes representing the same issue (*Teilschuldverschreibungen*)). We expect the Notes to qualify for this exception so long as they are held in global form. In cases (i) and (ii) a tax regime similar to that explained above under “—*Tax Residents*” applies. Furthermore, the holders who are not tax resident in Germany may become subject to German withholding tax in case they receive the proceeds by way of an over-the-counter payment by a German Disbursing Agent and the Notes are not held in custody with the same German Disbursing Agent. Subject to certain requirements a holder who is not tax-resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable tax treaty.

### **Inheritance and Gift Tax**

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless (i) the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany or (ii) the obligations under the Notes are directly or indirectly secured by German-situs real estate (unless the Notes qualify as fungible notes representing the same issue (*Teilschuldverschreibungen*)). We expect the Notes to qualify for this exception so long as they are held in global form.). Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

### **Other Taxes**

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögenssteuer*) is not levied in Germany.

## **The Proposed Financial Transactions Tax**

The EU Commission and certain EU member states (including Germany) are currently intending to introduce a financial transaction tax (presumably on secondary market transactions involving at least one financial intermediary). The timing of its potential introduction is, however, still unclear. Prospective holders of the Notes are advised to seek their own professional advice in relation to the financial transaction tax.

## **Payment by a Guarantor**

If a Guarantor makes any payments in respect of interest on Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by the Guarantor will be eligible for exemption from withholding tax.

## **Netherlands Taxation**

The information set out below is a general summary of certain material Dutch tax consequences in connection with the acquisition, ownership and transfer of the Notes. This summary is not a comprehensive or complete description of all the Dutch tax considerations that may be relevant for a particular holder of Notes and it does not address the tax consequences that may arise in any jurisdiction other than The Netherlands in connection with the acquisition, ownership and transfer of the Notes. For Dutch tax purposes, a holder of Notes may include an individual who or an entity that does not have the legal title to the Notes, but to whom nevertheless the Notes, or the income thereof, are attributed based either on such individual or entity holding a beneficial interest in the Notes or based on specific statutory provisions.

This summary is based on the tax laws of The Netherlands as in effect on the date of this offering memorandum, and as applied and interpreted in case law of the courts of The Netherlands and in administrative guidance of the relevant authorities of The Netherlands, in each case as available in printed form on or before the date of this offering memorandum, without prejudice to any developments or amendments introduced at a later date and implemented with or without retroactive effect.

Any reference in this summary to The Netherlands and to Netherlands or Dutch tax law are to the European part of the Kingdom of The Netherlands and its law, respectively, only.

As this summary is intended as general information only, (prospective) holders of Notes should consult their own tax advisors as to the Dutch or other tax consequences of the acquisition, ownership and transfer of Notes, including, in particular, the application to their particular situations of the tax considerations discussed below. Holders of Notes may be subject to a special tax treatment under any applicable law and this summary is not intended to be applicable in respect of all categories of holders of Notes.

## ***Withholding Tax***

Certain of the Guarantors are incorporated under Dutch law (the “Dutch Guarantors”). Any payments to be made by a Dutch Guarantor under the Notes may be made free of withholding or deduction for or on the account of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

## ***Taxes on Income and Capital Gains***

This summary is not intended for any holder of Notes:

- (i) for whom the income or capital gains derived from the Notes are attributable to a membership of a management board or a supervisory board, an employment relationship, a deemed employment relationship or a management role, the income of which is taxable in The Netherlands;
- (ii) who has, or that has, a Substantial Interest or a deemed Substantial Interest (as defined and explained below) in a Dutch Guarantor;
- (iii) that is an entity that is resident or deemed to be resident in The Netherlands and that is, in whole or in part, not subject to or exempt from Dutch corporate income tax (such as qualifying pension funds);

- (iv) that is an exempt investment institution (*vrijgestelde beleggingsinstelling*) or a fiscal investment institution (*fiscale beleggingsinstelling*) as meant in Articles 6a and 28 of the Dutch Corporate Income Tax Act 1969, respectively; or
- (v) who is, or that is, not considered the beneficial owner (*uiteindelijk gerechtigde*) of the Notes and/or the income and/or capital gains derived from the Notes.

Generally a holder of Notes will have a substantial interest (*aanmerkelijk belang*) in a Dutch Guarantor if he holds, alone or, in case the holder is an individual, together with his partner (statutorily defined term in Dutch tax law), whether directly or indirectly, the ownership of, or certain other rights over, shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a Dutch Guarantor, or rights to acquire shares, whether or not already issued, that represent at any time 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a Dutch Guarantor, or the ownership of certain profit participating certificates that relate to 5% or more of the annual profit or to 5% or more of the liquidation proceeds of a Dutch Guarantor (a “Substantial Interest”).

A holder of Notes will also have a Substantial Interest in a Dutch Guarantor if one of certain relatives of that holder or of his partner has a Substantial Interest in a Dutch Guarantor. If a holder of Notes does not have a Substantial Interest, a deemed Substantial Interest will be present if (part of) a Substantial Interest has been disposed of, or is deemed to have been disposed of, without recognizing a taxable gain.

#### *Dutch Resident Individuals*

- (i) A holder of Notes who is an individual and who is resident or deemed to be resident in The Netherlands for purposes of Dutch taxation (a “Dutch Resident Individual”), will generally be subject to Dutch income tax with respect to income and capital gains derived or deemed to be derived from the Notes at the progressive rates up to 52% (maximum rate for 2017) if: the holder derives profits from an enterprise or deemed enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), to which enterprise the Notes are attributable or deemed to be attributable; or
- (ii) the holder derives income or capital gains from the Notes, as the case may be, that are taxable as benefits from ‘miscellaneous activities’ (*resultaat uit overige werkzaamheden*, as defined in the Dutch Income Tax Act 2001), which include the performance of activities with respect to the Notes, that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*) and also include benefits resulting from a lucrative interest (*lucratief belang*).

If neither condition (i) nor condition (ii) mentioned above applies, a Dutch Resident Individual will generally be subject to Dutch income tax on a deemed return, regardless of the actual income or capital gains derived from the Notes. This deemed return is calculated by multiplying the individual’s yield basis (*rendementsgrondslag*) insofar this exceeds a certain threshold (*heffingvrij vermogen*), with the progressive statutory rates of return that are depending on such individual’s yield basis. For 2017, these rates of return range from 2.87% to 5.39%, but please note that these rates of return are adjusted annually (it has been indicated by the Dutch Underminister of Finance that the rates of return for 2018 should range from 2.65% to 5.38%). The individual’s yield basis is determined as the fair market value of certain qualifying assets held by the Dutch Resident Individual less the fair market value of certain qualifying liabilities, both determined on January 1 of the relevant year. The deemed return will be taxed at a rate of 30% (rate for 2017).

#### *Dutch Resident Entities*

A holder of Notes that is an entity (including an association, partnership and mutual fund, in each case to the extent taxable as a corporate entity) and that is resident or deemed to be resident in The Netherlands for purposes of Dutch taxation (a “Dutch Resident Entity”), will generally be subject to Dutch corporate income tax with respect to income and capital gains derived or deemed to be derived from the Notes. The Dutch corporate income tax rate is 20% for the first €200,000 of taxable profits and 25% for the taxable amount exceeding €200,000 (rates for 2017).

### *Non-Dutch Residents*

A holder of Notes who is not, nor deemed to be, a Dutch Resident Individual or a Dutch Resident Entity (a “Non-Dutch Resident”), is generally not subject to Dutch income tax or Dutch corporate income tax with respect to income and capital gains derived from the Notes, provided that:

- (i) such Non-Dutch Resident does not derive profits from an enterprise or deemed enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder) which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Notes are attributable or deemed attributable;
- (ii) in case of a Non-Dutch Resident who is an individual, such individual does not derive income or capital gains from the Notes, as the case may be, that are taxable as benefits from ‘miscellaneous activities performed in The Netherlands’ which include the performance of activities in respect of the Notes, that exceed regular, active portfolio management and also includes benefits resulting from a lucrative interest;
- (iii) in case of a Non-Dutch Resident who is an individual, such individual is not entitled to a share in the profits of an enterprise effectively managed in The Netherlands, other than by way of the holding of securities or through an employment relationship, to which enterprise the Notes or payments in respect of the Notes are attributable; and
- (iv) in case of a Non-Dutch Resident that is an entity (including an association, partnership and mutual fund, in each case to the extent taxable as a corporate entity), such entity is neither entitled to a share in the profits of an enterprise nor co-entitled to the net worth of an enterprise effectively managed in The Netherlands, other than by way of the holding of securities, to which enterprise the Notes or payments in respect of the Notes are attributable.

### ***Gift and Inheritance Taxes***

#### *Dutch Residents*

Generally, gift taxes (*schenkbelasting*) and inheritance taxes (*erfbelasting*) may arise in The Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of Notes who is resident or deemed to be resident in The Netherlands for the purpose of the Dutch Gift and Inheritance Tax Act 1956 at the time of the gift or his/her death.

#### *Non-Dutch Residents*

No Dutch gift or inheritance taxes will be levied on the transfer of Notes by way of gift by, or on the death of, a holder who is neither resident nor deemed to be resident in The Netherlands for the purpose of the relevant provisions, unless:

- (i) the transfer is construed as an inheritance or bequest or as a gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions;
- (ii) such holder dies while being resident or deemed resident in The Netherlands within 180 days after the date of a gift of the Notes; or
- (iii) the gift is made under a condition precedent and such holder is or is deemed to be resident in The Netherlands at the time the condition is fulfilled.

For purposes of the Dutch Gift and Inheritance Tax Act 1956, an individual who is of the Dutch nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death.

For purposes of Dutch gift tax, an individual will, irrespective of his nationality, be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift. The same twelve-month rule may apply to entities that have transferred their seat of residence out of The Netherlands. Applicable tax treaties concluded by The Netherlands may override such deemed residency.



### ***Value Added Tax***

No Dutch value added tax (*omzetbelasting*) is payable by a holder of Notes in respect of payments of interest and principal under the Notes or on a transfer of Notes (other than value added tax due on fees payable in respect of additional services not exempt from Dutch value added tax).

### ***Other Taxes and Duties***

No Dutch registration tax, stamp duty or any other similar tax or duty will be payable in The Netherlands by a holder of Notes in respect of or in connection with the acquisition, ownership or transfer of the Notes.

### ***Residence***

A holder of Notes will not become or be deemed to become a resident of The Netherlands for tax purposes solely by reason of the acquisition, ownership or transfer of the Notes.

### **Certain U.S. Federal Income Tax Considerations**

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. Holder (as defined below), except for the discussions below under “—*Foreign Account Tax Compliance*,” and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non U.S. tax laws.

This discussion is based upon the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change at any time, possibly with retroactive effect which could significantly affect the U.S. federal tax consequences described below. No rulings from the U.S. Internal Revenue Service (“IRS”) have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS or a court will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes than those discussed herein or that any such position would not be sustained in the event of litigation. A different treatment than that assumed below could adversely affect the amount, timing and character of income, gain or loss in respect of an investment in the Notes.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a U.S. Holder in light of such U.S. Holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income, or to holders subject to special rules, such as banks, certain financial institutions, U.S. expatriates, insurance companies, individual retirement and other tax deferred accounts, dealers in securities or currencies, traders in securities, U.S. Holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships, S corporations, or other pass through entities and investors in such entities, persons liable for alternative minimum tax, entities covered by the anti-inversion rules, persons that actually or constructively own more than 10% of our voting stock, and persons holding the Notes as part of a “straddle,” “hedge,” “conversion transaction” or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their “issue price” (i.e., the first price at which a substantial amount of the applicable series of Notes is sold to investors for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets (generally, property held for investment) within the meaning of section 1221 of the Code.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia, (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in place to be treated as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the

activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

The summary of certain U.S. federal income tax considerations set forth below is for general information purposes only. Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax.

### **Additional Payments**

In certain circumstances (see “*Description of the Senior Secured Notes—Change of Control*,” “*Description of the Senior Notes—Change of Control*,” “*Description of the Senior Secured Notes—Optional Redemption*,” “*Description of the Senior Notes—Optional Redemption*,” “*Description of the Senior Secured Notes—Redemption for Taxation Reasons*,” “*Description of the Senior Notes—Redemption for Taxation Reasons*,” “*Description of the Senior Secured Notes—Withholding Taxes*” and “*Description of the Senior Notes—Withholding Taxes*”) we may be obligated or elect to pay amounts in excess of stated interest or principal on the Notes. If any such payment is treated as a contingent payment, subject to certain exceptions, the Notes may be treated as contingent payment debt instruments, in which case the timing and amount of income inclusions and the character of income recognized may be different from the consequences discussed herein. Although the issue is not free from doubt, we intend to take the position that the possibility of such additional amounts payable on the Notes is a remote or incidental contingency within the meaning of applicable Treasury regulations as of the date hereof, and thus does not result in the Notes being treated as contingent payment debt instruments under applicable Treasury regulations. Therefore, we do not intend to treat the potential payment of additional interest or the potential payment of a premium pursuant to the optional redemption, redemption for tax reasons or withholding tax provisions as part of the yield to maturity of the Notes. Our determination that this contingency is remote or incidental is binding on a U.S. Holder, unless such U.S. Holder explicitly discloses to the IRS on its tax return for the year during which it acquires the Notes that it is taking a different position. However, our position is not binding on the IRS. If the IRS takes a contrary position to that described above, a U.S. Holder may be required to accrue income on its Notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income recognized on the taxable disposition of a Notes. U.S. Holders should consult their tax advisor regarding the tax consequences if the Notes were treated as contingent payment debt instruments. The discussion below assumes that the Notes will not be treated as contingent payment debt instruments.

### **Payments of Stated Interest**

A U.S. Holder that uses the cash method of tax accounting will be required to include in income the U.S. dollar value of the Euro denominated interest payment on a Note based on the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. No foreign currency exchange gain or loss will be recognized with respect to the receipt of such payment (other than foreign currency exchange gain or loss realized on the disposition of the Euros so received, see “—*Foreign Amount Tax Compliance*,” below).

A U.S. Holder that uses the accrual method of tax accounting will accrue interest income on a Note in Euros and translate the amount accrued into U.S. dollars based on:

- the average exchange rate in effect during the interest accrual period, or portion thereof, within such U.S. Holder’s taxable year; or
- at such U.S. Holder’s election, at the spot rate of exchange on (1) the last day of the accrual period, or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year, or (2) the date of receipt, if such date is within five Business Days of the last day of the accrual period. Such election must be applied consistently by the U.S. Holder to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and can be changed only with the consent of the IRS.

A U.S. Holder that uses the accrual method of tax accounting will recognize foreign currency exchange gain or loss on the receipt of an interest payment equal to the difference between (i) the value of the Euros received as interest, as translated into U.S. dollars using the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars, and (ii) the U.S. dollar amount previously included in income with respect to such payment. Such foreign currency exchange gain or loss

will be treated as ordinary income or loss, generally will be treated as U.S. source, and generally will not be treated as an adjustment to interest income received on the Notes.

Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits. Interest generally will be income from sources outside of the United States.

### **Original Issue Discount**

If the stated principal amount of a series of Notes exceeds their issue price by an amount equal to or greater than a statutorily defined *de minimis* amount (generally,  $\frac{1}{4}$  of 1 percent of the principal amount of the Notes of such series multiplied by the number of complete years to maturity from their original issue date), then the Notes of such series will be considered to be issued with OID for United States federal income tax purposes. In such a case, the amount of OID on a Note will equal the excess of (i) the sum of all principal and interest payments provided by the Note over (ii) the issue price (as defined above) of the Note.

Under the rules governing OID, regardless of a U.S. Holder's method of accounting, a U.S. Holder will be required to accrue its *pro rata* share of OID on the Notes on a constant yield basis and include such accruals in gross income, generally in advance of the receipt of the cash payments to which such OID is attributable whether or not such U.S. Holder receives a cash payment of interest on the Notes on the scheduled interest payment dates.

The amount of OID that a U.S. Holder would be required to include in income is the sum of the "daily portions" of OID with respect to the Notes for each day during the taxable year in which the U.S. Holder is the beneficial owner of the Notes. The "daily portions" of interest in respect of the Notes are determined by allocating to each day in an "accrual period" the ratable portion of interest on the Notes that accrues in the "accrual period." The "accrual period" for the Notes may be of any length and may vary in length over the term of the Notes, provided that each "accrual period" is no longer than one year and that each scheduled payment of interest or principal occurs on the first or final day of an "accrual period."

For these purposes, the amount of interest on the Notes that accrues in an "accrual period" will be the product of the "yield to maturity" on the Notes (adjusted to reflect the length of the "accrual period") and the "adjusted issue price" of the Notes. With respect to the Senior Secured Notes and the Senior Notes, the "yield to maturity" is the discount rate that, when applicable to all payments under any such Note, results in a present value equal to such Note's issue price. The "adjusted issue price" of the Notes at the beginning of the first "accrual period" will equal its "issue price" and for any "accrual periods" thereafter generally will be (x) the sum of the "issue price" of the Notes and any OID previously accrued thereon minus (y) the amount of any payments previously made on the Notes.

The accrual of OID on a Note will be computed in foreign currency, and the amount of accrued OID determined for any accrual period then will be translated into U.S. dollars, regardless of the U.S. Holder's method of accounting and in accordance with either of the two alternative methods described above in "*Payments of Stated Interest.*"

Upon receipt of a payment attributable to OID on a Note (whether in connection with a payment on such Note or the sale, exchange or other disposition of such Note), a U.S. Holder generally will recognize foreign currency exchange gain or loss in an amount equal to the difference between the U.S. dollar amount of OID that such holder has previously included in income and the U.S. dollar value of such payment (determined by translating any foreign currency received at the spot rate on the date such payment is received). Generally, any such exchange gain or loss will be treated as U.S. source and will be treated as ordinary income or loss and will not be treated as interest income or expense. For this purpose, all payments on a Note generally will be viewed first as the payment of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and thereafter as the payment of principal.

OID on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. Holder's ability to claim foreign tax credits. The rules governing the calculation of foreign tax credits are complex and depend on a U.S. Holder's

particular circumstances. U.S. Holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

### **Sale, Exchange or Other Taxable Disposition of the Notes**

Upon the sale, exchange, retirement at maturity, redemption or other taxable disposition of a Note, except as noted below with respect to foreign currency exchange gain or loss, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized by such U.S. Holder (except to the extent such amount is attributable to accrued but unpaid interest, which will be taxable as described above under “—*Payments of Stated Interest*”) and such U.S. Holder’s adjusted tax basis in the Note. Subject to the discussion below, the adjusted tax basis of a Note to a U.S. Holder will generally be the U.S. dollar value of the Euro purchase price calculated at the spot rate of exchange on the date of purchase, increased by previously accrued OID and decreased by the amount of any payments made on the Note (other than payments of stated interest). The amount realized by a U.S. Holder upon the disposition of a Note will generally be the U.S. dollar value of the Euros received calculated at the spot rate of exchange on the date of disposition.

If the Notes are traded on an established securities market, a U.S. Holder that uses the cash method of tax accounting, and if it so elects, a U.S. Holder that uses the accrual method of tax accounting, will determine the U.S. dollar values of its adjusted tax bases in the Note and the amount realized on the disposition of a Note by translating Euro amounts at the spot rate of exchange on the settlement date of the purchase or the disposition, respectively. The election available to accrual basis U.S. Holders discussed above must be applied consistently by the U.S. Holder to all debt instruments from year to year and can be changed only with the consent of the IRS.

Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder’s holding period for the Notes exceeds one year on the date of disposition. Long-term capital gains recognized by non-corporate U.S. Holders are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on a sale, exchange, retirement at maturity, redemption or other taxable disposition of a Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in the Euro to U.S. dollar exchange rate during the period in which the U.S. Holder held such Note. Such foreign currency exchange gain or loss will equal the difference between the U.S. dollar value of the Euro purchase price calculated at the spot rate of exchange on the date (1) the Note is disposed of (or the spot rate on the settlement date, if applicable) and (2) of purchase (or the spot rate on the settlement date, if applicable). In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder may realize foreign currency exchange gain or loss attributable to amounts received with respect to accrued OID, which will be treated as discussed above under “—*Original Issue Discount*.” The recognition of foreign currency exchange gain or loss described in this paragraph will be limited to the amount of overall gain or loss realized on the disposition of a Note, and will be treated as ordinary income generally from sources within the United States for U.S. foreign tax credit limitation purposes.

### **Reportable Transactions**

Under applicable Treasury regulations, a U.S. Holder who participates in “reportable transactions” (as defined in the Treasury regulations) must attach to its United States federal income tax return a disclosure statement on IRS Form 8886. The Treasury regulations could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the Treasury regulations. U.S. Holders should consult their own tax advisors to determine the tax reporting obligations, if any, including any requirement to file IRS Form 8886, with respect to the ownership or disposition of the Notes or any related transaction such as the disposition of any Euros received in respect of the Notes.

### **Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to payments of principal and interest (including the accrual of OID) on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient (such as a corporation), and, when required, provides evidence of such exemption. The payor (which may



be us or an intermediate payor) will be required to impose backup withholding, currently at a rate of 28%, on such payments if (1) the U.S. Holder fails to furnish an accurate taxpayer identification number or to establish an exemption from backup withholding; (2) the IRS notifies the payor that the taxpayer identification number furnished by the U.S. Holder is incorrect; (3) there has been a “notified payee underreporting” described in section 3406(c) of the Code; or (4) the U.S. Holder has not certified under penalties of perjury that it has furnished a correct taxpayer identification number, that it is a United States person, and that the IRS has not notified such U.S. Holder that it is subject to backup withholding under the Code. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder’s U.S. federal income tax liability provided that the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisors regarding the effect, if any, of the backup withholding rules on their particular circumstances.

### **Information with Respect to Foreign Financial Assets**

Certain U.S. Holders who are individuals and who hold an interest in “specified foreign financial assets” (as defined in section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. Holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

### **Foreign Account Tax Compliance**

Sections 1471 through 1474 of the Code and the Treasury regulations promulgated thereunder (“FATCA”) generally impose a withholding tax of 30% on interest income (including accrued OID) paid on a debt obligation and, after December 31, 2018, on the gross proceeds from the sale or other disposition of a debt obligation if such interest income or gross proceeds are treated as passthru payments attributable to certain U.S. source payments, in each case, to (i) a foreign financial institution (as the beneficial owner or as an intermediary for the beneficial owner), unless such institution enters into an agreement with the United States government to collect and provide to the United States tax authorities substantial information regarding United States account holders of such institution (which would include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with United States owners) or (ii) a foreign entity that is not a financial institution (as the beneficial owner or as an intermediary for the beneficial owner), unless such entity provides the withholding agent with a certification identifying the substantial United States owners of the entity, which generally includes any United States person who directly or indirectly owns more than 10% of the entity, in each case, unless another exemption applies. Investors are encouraged to consult with their own tax advisors regarding the implications of FATCA on their investment in a Note.

Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be “grandfathered” unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on a series of the Notes only if there is a significant modification of the Notes of such series for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR’S OWN CIRCUMSTANCES.



## **CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES AND SECURITY INTERESTS**

### **European Union**

Pursuant to Regulation (EU) No. 2015/848 of May 20, 2015 (the “Recast Insolvency Regulation”), replacing Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings, as amended (the “EU Insolvency Regulation”) and starting from June 26, 2017, the court which shall have jurisdiction to open the main insolvency proceedings in relation to a company is the court of the member state of the European Union, other than Denmark, (a “Regulated Member State”) within the territory of which the company concerned has its “centre of main interests.”

In the case of a company or legal person, the place of the registered office shall be presumed to be its centre of main interests in the absence of proof to the contrary (Article 3(1) of the Recast Insolvency Regulation). That presumption shall only apply if the registered office has not been moved to another Regulated Member State within the three-month period prior to the request for the opening of insolvency proceedings. In addition, that presumption is rebuttable, and the relevant court of a Regulated Member State should carefully assess whether the centre of main interests is genuinely located in that Regulated Member State. Specifically, it should be possible to rebut the presumption where the company’s central administration is located in a Regulated Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company’s actual centre of management and supervision and of the management of its interests is located in that other Regulated Member State (Recital (30) of the Recast Insolvency Regulation). When determining whether the centre of main interests is ascertainable by third parties, special consideration should be given to the creditors and to their perception as to where a company conducts the administration of its interests. This may require, in the event of a shift of centre of main interests, informing creditors of the new location from which the company is carrying out its activities in due course, for example by drawing attention to the change of address in commercial correspondence, or by making the new location public through other appropriate means (Recital (28) of the Recast Insolvency Regulation).

If the centre of main interests of the debtor is located in the Regulated Member State in which it has its registered office, the main insolvency proceedings under the Recast Insolvency Regulation shall be opened in that Regulated Member State and accordingly the courts of that Regulated Member State shall have jurisdiction to open any of the insolvency proceedings applicable in that Regulated Member State (see Annex A of the Recast Insolvency Regulation).

Notwithstanding the opening of a main insolvency proceeding in a Regulated Member State, “secondary insolvency proceedings” may be opened in another Regulated Member State if such debtor possesses an “establishment” (as defined in Article 2(10) of the Recast Insolvency Regulation) in that Member State. The effects of these proceedings shall be restricted to the assets of the debtor in the territory of that Regulated Member State.

If the debtor possesses an “establishment” in a Regulated Member State, “territorial proceedings” under Article 3(4) of the Recast Insolvency Regulation may be opened prior to the opening of main insolvency proceedings, where (a) main insolvency proceedings cannot be opened because of the conditions laid down by the law of the Regulated Member State within the territory of which the center of the debtor’s main interests is situated or (b) the opening of territorial insolvency proceedings is requested by (i) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Regulated Member State where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the Regulated Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, the territorial insolvency proceedings shall become secondary insolvency proceedings.

In the event that the Issuers or any provider of collateral experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuers and the collateral provided by the Issuers or any other company. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no

assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

## Germany

### Insolvency

The Issuers and certain Guarantors are organized under the laws of Germany, have their registered offices in Germany and substantially all of their assets are located in Germany. In the event of an insolvency of a Guarantor organized under the laws of Germany and/or having its “centre of main interests” in Germany (any such Guarantor, a “German Notes Guarantor”) at the time the petition for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, any main insolvency proceedings would most likely be initiated in Germany. Such proceedings would then be governed by German law. Under certain circumstances, insolvency proceedings may also be opened in Germany in accordance with German law over the assets of companies that are not established under German law (for example, if the centre of main interests of such company is within Germany) or, vice versa, insolvency over German Guarantors may be opened in other jurisdictions. See “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests—European Union.*”

The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*), may not be as favorable to your interests as creditors than the insolvency laws of the United States or another jurisdiction with which you may be familiar, including in respect of priority of creditors, the ability to obtain post-petition interest as well as in certain circumstances priority recovery for secured creditors and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising and other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany:

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court ex officio, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event of its illiquidity (*Zahlungsunfähigkeit*), meaning that the debtor is unable to pay 10% or more of its debts as and when they fall due for a period longer than three weeks. According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor’s business as a going concern is predominantly likely based on a two-year forecast horizon (*überwiegend wahrscheinlich*). If a limited liability company (*Gesellschaft mit beschränkter Haftung*), a public limited liability company (*Aktiengesellschaft*), a European law stock corporation based in Germany (*Societas Europaea*) or any other company not having an individual as personally liable shareholder or partner finds itself in a situation of illiquidity and/or over-indebtedness, the management board or managing director(s) of such company and, in certain circumstances, its shareholders, are obligated to file for insolvency without delay but not later than three weeks after such illiquidity and/or over-indebtedness incurred or (as the case may be) was established. Non-compliance with these obligations exposes management to both severe damages claims as well as sanctions under criminal law. A debtor is not considered over-indebted when its liabilities exceed the value of its assets if, given the circumstances, it is more likely than not that the debtor’s business can survive as a going concern. In addition, only the debtor, but not the creditors, can file for the opening of insolvency proceedings in the event of imminent illiquidity (*drohende Zahlungsunfähigkeit*), if there is the imminent risk of the company being unable to pay its debts as and when they fall due, whereas imminent illiquidity does not give rise to an obligation for the management of the debtor to file for insolvency proceedings.

If a company faces imminent illiquidity (*drohende Zahlungsunfähigkeit*) and/or is over-indebted (*Überschuldung*) it may also file for preliminary “debtor in possession” moratorium proceedings (*Schutzschirmverfahren*) unless—from a third-party perspective—there is no reasonable chance for a successful restructuring. Upon such filing by the debtor, the court will appoint a preliminary trustee (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor shall prepare an insolvency plan which ideally shall be implemented in formal “debtor in possession” proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are controlled by the competent insolvency court, which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings insofar as these protective measures are reasonable to protect the debtor's assets and/or to ensure the continuation of the debtor's business.

Unless the debtor has applied for debtor-in-possession proceedings (*Eigenverwaltung*) (in which event the court will generally only appoint a preliminary trustee (*vorläufiger Sachwalter*) who will supervise the management of the affairs by the debtor) the insolvency court will in most cases appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may include safeguarding and preserving the debtor's property and assessing whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage the business and dispose of the assets of the debtor may pass to the preliminary insolvency administrator. The insolvency court can also order a stay of all enforcement measures by unsecured creditors against the debtor.

During preliminary insolvency proceedings, the insolvency court has to appoint a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) if the debtor satisfies at least two of the following three requirements:

- (a) a balance sheet total in excess of €6,000,000 (after deducting an equity shortfall if the debtor is over-indebted);
- (b) revenues of at least €12,000,000 in the twelve months prior to the last day of the financial year preceding the filing; and/or
- (c) fifty or more employees on an annualized average basis.

The preliminary creditors' committee will be able to participate in certain important decisions made in the preliminary insolvency proceedings. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*); court orders for "debtor in possession" proceedings (*Anordnung der Eigenverwaltung*); and appointments of (preliminary) trustees (*vorläufiger Sachwalter*). The court opens formal insolvency proceedings (*Eröffnung des Insolvenzverfahrens*) if certain formal requirements are met, including if (i) the debtor is in a situation of imminent illiquidity (if the petition has been filed by the debtor), illiquidity and/or over-indebted and (ii) if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient to cover such costs, the insolvency court will only open formal insolvency proceedings if third parties (e.g., creditors), advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Unless the court has granted debtor-in-possession status (*Eigenverwaltung*) (in which case the court will only appoint a trustee (*Sachwalter*) who will supervise the management of the affairs by the debtor), upon opening of the insolvency proceedings, the court will appoint an insolvency administrator (*Insolvenzverwalter*) who has full administrative and disposal authority over the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets. The insolvency creditors (*Insolvenzgläubiger*) will only be entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, i.e., sufficiently qualified, business-experienced and impartial. The insolvency administrator (or in the case of debtor-in-possession proceedings, the debtor) may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor.

The insolvency administrator or trustee may also challenge transactions that are deemed detrimental to insolvency creditors and which were effected prior to the opening of the insolvency proceedings (See "—Hardening Periods and Fraudulent Transfer").

For the holders of the Notes, the consequences of the opening of German insolvency proceedings against any Guarantor's subject to the German insolvency regime would include the following:

- (a) unless the court orders debtor-in-possession proceedings (*Eigenverwaltung*), the right to administer and dispose of the Guarantor's assets would generally pass to the (preliminary) insolvency administrator (*(vorläufiger) Insolvenzverwalter*) as sole representative of the insolvency estate;
- (b) unless the court orders debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by the Guarantor's management after the opening of insolvency proceedings are null and void by operation of law;
- (c) if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (e.g., attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of the insolvency proceedings;
- (d) claims against any Guarantors may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and
- (e) any person that has a right for separation (*Aussonderung*), i.e., the relevant asset of this person does not constitute part of the insolvency estate, does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

Under German insolvency law, termination rights, automatic termination events or “escape clauses” entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights (*Wahlrecht des Insolvenzverwalters*) applicable under statutory law. This may also relate to agreements that are not governed by German law.

All other creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*)), who wish to assert claims against the debtor need to participate in the insolvency proceedings and have to file their claims against the debtor and the rights they claim in the assets of the debtor with the insolvency administrator. With the exception of certain secured creditors, an individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once the insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Accordingly, unsecured creditors may file their claims in the insolvency proceedings and will be paid on a *pro rata* basis from the insolvency estate (to the extent sufficient assets are available). Secured creditors are generally not entitled to enforce their security interests after insolvency proceedings have been commenced to the extent the German Insolvency Code (*Insolvenzordnung*) authorizes the insolvency administrator to dispose of the relevant collateral but have only certain preferential rights (*Absonderungsrechte*) in the insolvency proceedings. In this case, secured creditors will only have a right to claim the recoveries (minus costs and fees) from such realization. Whether or not, after the initiation of insolvency proceedings, a secured creditor remains entitled to enforce security granted to it by the relevant debtor depends on the type of security: The insolvency administrator generally has the sole right (i) to realize any movable assets within its possession that are subject to preferential rights (*Absonderungsrechte*) (e.g., pledges over movable assets and rights (*Mobiliarpfandrechte*), transfer by way of security (*Sicherungsübereignung*)) and (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). According to some voices in legal literature, it is uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of pledged uncertificated shares on their own or, insofar as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. However, there is no authoritative case law on this question.

Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds



(*Ersatzabsonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts (“excess proceeds”) will be allocated to the insolvency estate (*Insolvenzmasse*) and would, after deduction of the costs of the insolvency proceedings (e.g., fees for and expenses of the insolvency administrator and the insolvency court as well as the members of the creditors’ committee) and after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including the holders of the Notes (to the extent not satisfied after enforcement of the Collateral securing the Notes). If a German Notes Guarantor or a subsidiary subject to German insolvency proceedings grants security over its assets to creditors other than the holders of the Notes, such security may result in a preferred satisfaction of creditors secured by such security (however, the preferential treatment would be limited to the proceeds obtained through the disposal of the relevant collateral). The excess proceeds resulting from such collateral may not be sufficient to satisfy the obligations under the Notes by the German Notes Guarantors after such secured creditors have been satisfied.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor in accordance with specific rules. In addition, it may take several years before proceeds from the liquidation of the insolvency estate, if any, are distributed to unsecured creditors. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, in principle, the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules. Under German insolvency laws, it is possible to implement a debt-to-equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity conversion if it does not consent to such debt-to-equity swap. Under certain conditions, the debtor may also file for protective shield proceedings (*Schutzschirmverfahren*). In such case and upon request of the debtor, the court will prohibit enforcement measures (other than with respect to immovable assets) and may implement other preliminary measures to protect the debtor from credit enforcement actions for up to three months if an independent expert testifies that the restructuring of the debtor’s business is not obviously futile (*offensichtlich aussichtslos*) and that the debtor is not already illiquid. Given the relatively recent enactment of these amendments, these provisions may not have been tested in practice and no judicial precedents are available in such respect.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In the case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (i.e., there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately. As a general principle, the claims arising from a guarantee may be enforced against a German Notes Guarantor outside of the insolvency proceedings over the assets of the Issuers. Any insolvency proceeding over the assets of the Issuers would, however, be a rather strong indication that the overall financial situation of the entire group of affiliated companies has significantly deteriorated, which may cause a German Notes Guarantor to subsequently file for insolvency. On April 13, 2017, the German legislator passed an act to facilitate the mastering of group insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*), which will come into force on April 21, 2018. This act is mainly intended to facilitate the coordination of and cooperation between insolvency proceedings of group companies. This act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims among the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may assume jurisdiction for other group company insolvency proceedings (*Gruppen-Gerichtsstand*); (ii) the appointment of a single person as insolvency administrator for all relevant group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors’ committees; and (iv) certain parties may apply for “coordination proceedings” (*Koordinationsverfahren*) and the appointment of a “coordinator” (*Verfahrenskoordinator*) with the ability to propose a “coordination plan” (*Koordinationsplan*).

German insolvency law provides for certain creditors and their claims to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of repayment of shareholder loans or comparable actions). The restrictive nature of the covenants and



undertakings in the Indenture may result in the holders of the Notes and/or the applicable Trustee being considered in a “shareholder-like position” (*gesellschafterähnliche Stellung*). In that event, in an insolvency proceeding over the assets of a German Notes Guarantor, the claims arising from a Notes Guarantee would be treated as a subordinated insolvency claim (*nachrangige Insolvenzforderungen*). Subordinated insolvency claims are not eligible to participate in the insolvency proceedings over the assets of a German Notes Guarantor unless the insolvency court handling the case has granted special permission allowing these subordinated insolvency claims to be filed which is not granted in the vast majority of insolvency cases governed by German law. Claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors.

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

#### *Limitations on Enforcement*

Some of the German Notes Guarantors are incorporated in Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung*—“GmbH”) and/or a stock corporation (*Aktiengesellschaft*). Consequently, the granting of guarantees, indemnities and security interests by these companies is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*, “GmbHG”), the German Stock Corporation Act (*Aktiengesetz*) and other laws. These provisions would also apply to any future German Notes Guarantor in the form of a GmbH or a partnership with a GmbH as unlimited liability partner (e.g., GmbH & Co. KG) or Aktiengesellschaft.

#### GmbH Limitation Language

As a general rule, sections 30 and 31 of the GmbHG (“Sections 30 and 31”) prohibit a GmbH from disbursing its assets to its direct or indirect shareholders, to the extent that the amount of the GmbH’s net assets (i.e., assets minus liabilities and liability reserves) is already less or would fall below the amount of its stated share capital (*Stammkapital*). The granting or enforcement of guarantees or security interests by a GmbH in order to guarantee or secure liabilities of a direct or indirect parent or sister company may be considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to issue guarantees or create security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain “limitation language” in relation to subsidiaries in the legal form of a GmbH or partnership with a GmbH as unlimited liable partner incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees or the security interests agree, subject to certain adjustments and exemptions, to enforce the guarantees or the security interests against the German subsidiary only to the extent that such enforcement does not result in the GmbH’s (or, in case of a partnership with a GmbH as unlimited liable partner, such GmbH’s) net assets falling below its stated share capital or, as the case may be, if the net assets are already below the amount of its stated share capital, to cause such amount to be further reduced. Accordingly, the Notes Guarantee, the Indentures and the Security Documents provided by the German Notes Guarantors will contain such limitation language and therefore the enforcement of the Notes Guarantees, the Indentures and the Senior Secured Notes Collateral is limited in the manner described. This could lead to a situation in which the respective guarantee or security granted by the relevant German Notes Guarantor cannot be enforced at all.

The limitation language for any GmbH or GmbH & Co. KG to be incorporated into the relevant Notes Documents, in particular in the Indentures, will substantially be in the form as follows:

“(a) The restrictions in this Clause shall apply to any guarantee, indemnity, liability and other payment obligations under this Clause or any other provision in this Indenture and/or any other documents in connection therewith granted by a Guarantor incorporated under the laws of Germany as a limited liability company (*GmbH*) (a “German GmbH Guarantor”) to secure liabilities of its current or any future direct or indirect shareholder(s) (upstream) or a Subsidiary of such shareholder (but excluding any direct or indirect Subsidiary of such Guarantor) (cross-stream) (a “Guarantee”).

(b) The restrictions in this Clause shall not apply:

(i) with respect to a Capital Impairment (as defined below), to the extent the German GmbH Guarantor secures any indebtedness under this Indenture in respect of (i) loans to the extent such loans are (directly or indirectly) on-lent or otherwise passed on to the relevant German GmbH Guarantor or its Subsidiaries or (ii) bank guarantees or letters of credit that are issued for the benefit of any of the creditors of the German GmbH Guarantor or the German GmbH Guarantor's Subsidiaries, in each case, to the extent that any such on-lending or otherwise passing on or bank guarantees or letters of credit are still outstanding at the time of the enforcement of the Guarantee; for the avoidance of doubt, nothing in this paragraph (b) shall have the effect that such on-lent amounts may be enforced multiple times (no double dip);

(ii) with respect to a Capital Impairment (as defined below), if, at the time of enforcement of the Guarantee, a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) as per Section 291 of the German Stock Corporation Act (*Aktiengesetz, AktG*) (either directly or indirectly through an unbroken chain of domination and/or profit transfer agreements) exists between the relevant German GmbH Guarantor as a dominated company, and:

(A) that German GmbH Guarantor is a Subsidiary of the relevant Obligor whose obligations are secured by the relevant Guarantee, that Guarantor; or

(B) the German GmbH Guarantor and the relevant Guarantor whose obligations are secured by the relevant Guarantee are both Subsidiaries of a joint (direct or indirect) parent company and such parent company as dominating entity (*beherrschendes Unternehmen*),

in each case to the extent the existence of such domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) leads to the inapplicability of section 30 paragraph 1 sentence 1 of the German Limited Liabilities Company Act (*GmbHG*);

(iii) with respect to a Capital Impairment (as defined below), to the extent any payment under the Guarantee demanded by the Trustee from the relevant German GmbH Guarantor is covered (*gedeckt*) by a fully valuable and recoverable consideration or recourse claim (*vollwertiger Gegenleistungs- oder Rückgewähranspruch*) of the German GmbH Guarantor against the affiliate whose obligations are secured by the relevant Guarantee; or

(iv) if the relevant German GmbH Guarantor has not complied with its obligations pursuant to paragraphs (d) and (e) below. However, if and to the extent that the Guarantee has been enforced without regard to the restrictions contained in this Clause because the Management Notification and/or the Auditor's Determination has not (or not in a timely manner) been delivered pursuant to paragraphs (d) and (e) below, but the Auditor's Determination has then been delivered within four months from its due date in accordance with paragraph (e) below, the Trustee shall upon demand of the German GmbH Guarantor repay any amount received from the German GmbH Guarantor which pursuant to the Auditor's Determination would not have been available for enforcement, if the Auditor's Determination had been delivered in a timely manner.

(c) The parties to this Indenture agree that if and to the extent payment under the Guarantee would cause (i) the amount of a German GmbH Guarantor's Net Assets, as calculated and defined pursuant to paragraph (h) below, to fall below the amount required to maintain its registered share capital (*Stammkapital*) or increase an existing shortage (*Vertiefung einer Unterbilanz*) of its registered share capital (*Stammkapital*) and thereby violating §§ 30, 31 GmbHG (such event, a "Capital Impairment"), or (ii) a German GmbH Guarantor to be deprived of the liquidity necessary to fulfil its liabilities towards its creditors and thereby violating Section 64 sentence 3 of the German Limited Liabilities Company Act (*GmbHG*) (such event, a "Liquidity Impairment") then the Trustee shall not enforce and the German GmbH Guarantor shall, subject to paragraphs (d) and (e) below, have a defense (*Einrede*) against any claim under the Guarantee if and to the extent such Capital Impairment or Liquidity Impairment would occur.

(d) If the relevant German GmbH Guarantor does not notify the Trustee in (the "Management Notification") within fifteen (15) Business Days after the making of a demand against that German GmbH Guarantor under the Guarantee:

(i) to what extent such Guarantee is an upstream or cross-stream guarantee or indemnity; and

- (ii) to what extent a Capital Impairment or Liquidity Impairment would occur as a result of an enforcement of the Guarantee (setting out in reasonable detail the amount of its Net Assets or to which extent the liquidity would be deprived, providing an up-to-date pro forma balance sheet or liquidity statement),

then the restrictions set out in this Clause shall cease to apply until a Management Notification has been provided.

- (e) If the Trustee disagrees with the Management Notification, it may within twenty (20) Business Days of its receipt, request the relevant German GmbH Guarantor to provide to the Trustee within forty-five (45) Business Days of receipt of such request a determination by the Auditors or any other auditors of international standard and reputation (the “Auditor’s Determination”) appointed by the German GmbH Guarantor (at its own cost and expense) setting out in reasonable detail the amount in which the payment under the Guarantee would cause a Capital Impairment or Liquidity Impairment, subject to the terms set out under this Clause . Save for manifest errors, the Auditor’s Determination shall be binding on all parties.
- (f) If, after it has been provided with an Auditor’s Determination which prevented it from demanding any or only partial payment under the Guarantee, the Trustee ascertains in good faith that the financial conditions of the German GmbH Guarantor as set out in the Auditor’s Determination has substantially improved, the Trustee may (acting reasonably), at the German GmbH Guarantor’s cost and expense, arrange for the preparation of an updated balance sheet of the German GmbH Guarantor by applying the same principles that were used for the preparation of the Auditor’s Determination by the auditors who prepared the Auditor’s Determination in order for such Auditors to determine whether (and, if so, to what extent) the Capital Impairment and Liquidity Impairment has been cured as result of the improvement of the financial condition of the German GmbH Guarantor. The Trustee may not arrange for the preparation of an Auditor’s Determination prior to the expiry of three months from the date of the issuance of the preceding Auditor’s Determination. The Trustee may only demand payment under the Guarantee to the extent the Auditors determine that the Capital Impairment and Liquidity Impairment have been cured.
- (g) The net assets (*Reinvermögen*) of the German GmbH Guarantor (the “Net Assets”) shall be calculated in accordance with § 42 GmbHG, §§ 242, 264 of the HGB and the generally accepted accounting principles applicable from time to time in Germany (*Grundsätze ordnungsgemäßer Buchführung*) and for the purposes of calculating the Net Assets, the following balance sheet items shall be adjusted as follows:
  - (i) the amount of any increase in the registered share capital of the relevant German GmbH Guarantor which was carried out after the relevant German GmbH Guarantor became a party to this Agreement and made from retained earnings (*Kapitalerhöhung aus Gesellschaftsmitteln*) shall be deducted from the amount of the registered share capital (*Stammkapital*) of the relevant German GmbH Guarantor if it is expressly prohibited under this Indenture and has been carried out without the prior written consent of the Agent;
  - (ii) the amount of non-distributable assets according to Section 253 subsection 6 of the HGB shall not be included in the calculation of Net Assets;
  - (iii) the amount of non-distributable assets according to Section 268 subsection 8 of the HGB shall not be included in the calculation of Net Assets;
  - (iv) the amount of non-distributable assets according to Section 272 subsection 5 of the HGB shall not be included in the calculation of Net Assets; and
  - (v) loans or other liabilities incurred by the relevant German GmbH Guarantor in willful or grossly negligent violation of this Indenture shall not be taken into account as liabilities.
- (h) Where a German GmbH Guarantor claims in accordance with the provisions of this Clause that the Guarantee can only be enforced in a limited amount, it shall (A) realize, to the extent lawful and within reasonable opinion commercially justifiable, any and all of its assets that are shown in the balance sheet with a book value (*Buchwert*) that is significantly lower than the market value of the assets and are not necessary (*betriebsnotwendig*) for the relevant German GmbH Guarantor’s business, and (B) use best efforts to realize, to the extent legally permitted in a situation where it does not have sufficient liquidity to fulfil its liabilities to its creditors, any and all of its assets if the relevant asset is not necessary for the German GmbH Guarantor’s business (*nicht betriebsnotwendig*).

- (i) Nothing in this Clause                      shall constitute a waiver (*Verzicht*) of any right granted under this Indenture to the Trustee.
- (j) Nothing in this Clause                      shall prevent the Trustee or a German GmbH Guarantor from claiming in court that the provision of this Guarantee and/or making payments under this Guarantee by the relevant German GmbH Guarantor does or does not fall within the scope of §§ 30, 31 and/or 64 sentence 3 of the GmbHG and/or § 826 German Civil Code (*Bürgerliches Gesetzbuch*).
- (k) In addition to the restrictions set out in this Clause                      , if a German GmbH Guarantor demonstrates that, according to the decisions of the German Federal Supreme Court (*Bundesgerichtshof*) or a higher regional court of appeals (*Oberlandesgericht*), the enforcement of any upstream or cross-stream guarantee or security interest against such German GmbH Guarantor would result in personal liability of its managing director(s) (*Geschäftsführer*) for a reimbursement of payments made under the Guarantee (including, without limitation, pursuant to § 826 of the German Civil Code (*Bürgerliches Gesetzbuch*)), the German GmbH Guarantor shall have a defense (*Einrede*) against the Guarantee to the extent required in order not to incur such liability.
- (l) The provisions of this Clause                      shall apply to a limited partnership with a limited liability company as its general partner (*GmbH & Co. KG*) *mutatis mutandis* and all references to Capital Impairment, Liquidity Impairment and Net Assets shall be construed as a reference to the Capital Impairment, Liquidity Impairment and Net Assets of the general partner (*Komplementär*) of the German GmbH Guarantor.
- (m) For the purposes of this Clause                      , a reference to a “German GmbH Guarantor” includes any limited liability company incorporated (or limited partnership with a limited liability company as its general partner) in a jurisdiction other than Germany whose centre of main interest (as that term is used in Article 3(1) of Regulation (EU) No. 2015/848 of May 20, 2015 on Insolvency Proceedings is in Germany.
- (n) The parties are aware that—due to recent developments—it is currently discussed which point in time is relevant when determining whether a managing director or other representative of a German guarantor has complied with the capital maintenance provisions. In respect of a valuation of the Net Assets which are available for enforcement of a guarantee without causing any liability for management, the Parties consider the point in time of the enforcement of the Guarantee as being relevant which is therefore the relevant point in time for calculating the available Net Assets purposes of this Clause. Should new legislation or jurisprudence of a higher regional court (*Oberlandesgericht*) or the Federal Court of Justice (*Bundesgerichtshof*) (including, without limitation, based on proceedings initiated by the relevant Guarantor and/or its managing directors (*Geschäftsführer*)) be published and/or come into force after the date of this Indenture and should such law or court ruling lead to a different legal and/or factual assessment:
  - (i) of the granting of the guarantee by the relevant Guarantor, the Trustee shall, upon the relevant Guarantor’s managing directors’ (*Geschäftsführer*) (or other representative’s) request, enter into good faith negotiations on possible amendments to this Clause                      to the extent necessary to avoid the managing directors’ (*Geschäftsführer*) (or other representative’s) personal liability resulting from the granting of the guarantee (taking into account the initial intention of the limitations set out in this Clause                      and, including but not limited to, amending reference points for the assessment whether or not a violation of sections 30, 31 GmbHG has occurred); or
  - (ii) of the enforcement of the guarantee so that the limitations in this Clause                      are, are not, or only partially be, required to protect the managing directors (*Geschäftsführer*) (or other representatives) of the Guarantor(s) from the risk of personal liability from the enforcement of the guarantee, the Guarantors shall, upon the Trustee’s request, enter into good faith negotiations on possible amendments to this Clause                      to the extent such provisions are, or are not required anymore to protect the managing directors (*Geschäftsführer*) (or other representative’s) of the Guarantor(s) from the risk of personal liability arising from the enforcement of the guarantee.

Notwithstanding anything to the contrary in this Agreement, this Clause                      and any rights and/or obligations arising out of it shall be governed by, and construed in accordance with, German law.”



## AG Limitation Language

As a general rule, section 57 German Stock Corporation Act (*Aktiengesetz*) prohibits the disbursement of the deposits to the stockholders (*Verbot der Einlagenrückgewähr*). In addition, pursuant to section 71 (a) German Stock Corporation Act (*Aktiengesetz*) the relevant German public limited liability company (*Aktiengesellschaft*) may not grant any loan or grant and security to a third party for purposes of the acquisition of the stock in such German public limited liability company (*Aktiengesellschaft*). Any agreement in such respect is void.

Therefore, in order to enable German subsidiaries to issue guarantees or create security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating section 57 German Stock Corporation Act (*Aktiengesetz*) and/or section 71 a German Stock Corporation Act (*Aktiengesetz*), it is standard market practice for indentures, credit agreements, guarantees and security documents to contain “limitation language” in relation to subsidiaries in the legal form of a German public limited liability company (*Aktiengesellschaft*). Pursuant to such limitation language, the beneficiaries of the guarantees or the security interests agree to enforce the guarantees or the security interests against the German subsidiary only to the extent that such enforcement does not lead to a violation of section 57 German Stock Corporation Act (*Aktiengesetz*) and/or section 71 a German Stock Corporation Act (*Aktiengesetz*). Accordingly, the Notes Guarantee, the Indentures and the Security Documents relating to the Senior Secured Notes Collateral provided by the German Notes Guarantors will contain such limitation language and therefore the enforcement of the Notes Guarantees, the Indentures and the Senior Secured Notes Collateral is limited in the manner described below. This could lead to a situation in which the respective guarantee or security granted by the relevant German Notes Guarantor cannot be enforced at all. In particular, the Target, which, together with the other Post-Control Date Guarantors, is expected to provide a Notes Guarantee and certain Collateral under the Senior Secured Notes after the Control Date under certain conditions set forth in the relevant Indentures, is incorporated in Germany in the form of a German public limited liability company (*Aktiengesellschaft*). Since all Post-Control Date Guarantors are direct or indirect subsidiaries of the Target, all limitations applicable to a German public limited liability company (*Aktiengesellschaft*) (whether by virtue of law or contractual limitation language) will consequently also apply to such subsidiaries even if incorporated in a legal form other than a German public limited liability company (*Aktiengesellschaft*). See also “*Risk Factors—Risks Relating to Each Series of Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*”

The limitation language for any public limited liability company (*Aktiengesellschaft*) to be incorporated into the relevant Notes Documents, in particular in the security documents, will substantially be in the form as follows:

- (a) “Any guarantee or any liability, indemnity or other payment obligation (the “Guarantee”) of a Guarantor which is a public limited liability company under German law (*Aktiengesellschaft*) (an “AG Guarantor”) or by any Guarantor that is a Subsidiary of that AG Guarantor shall not be enforced to the extent such Guarantee secures or relates to liabilities which are owed by direct or indirect shareholders of that AG Guarantor or Subsidiaries of such shareholders (such Subsidiaries not to include the AG Guarantor and the Subsidiaries of that AG Guarantor) if the relevant AG Guarantor is not party to a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) as the dominated party with a direct shareholder as the dominating party.
- (b) If a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) is in force between the relevant AG Guarantor and a direct shareholder (with the direct shareholder as dominating party) any Guarantee granted by such AG Guarantor or by any Subsidiary of that AG Guarantor under this Agreement shall be enforceable except that it shall not be enforceable (*vollstreckbar*) if and to the extent (i) the payment by the AG Guarantor or by a Subsidiary of that AG Guarantor in respect of those Guarantee Obligations which secure liabilities which are owed by direct or indirect shareholders of that AG Guarantor or Subsidiaries of such shareholders (such Subsidiaries not to include the AG Guarantor and the Subsidiaries which are also Subsidiaries of that AG Guarantor) will, or must be expected to, result in an annual loss to that AG Guarantor and (ii) such annual loss would not be, or cannot be expected to be, compensated for by a compensation claim under the relevant domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) that can be accounted for in the balance sheet of that AG Guarantor at full value (*vollwertig*), unless the mere existence of a domination and/or profit



and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) between the relevant AG Guarantor and a direct shareholder (with the direct shareholder as dominating party) leads to the inapplicability of Section 57 sub-section 1 of the German Stock Corporation Act (*AktG*) in which case sub-paragraphs (i) and (ii) shall not be applicable and which shall be deemed to be the case if so explicitly confirmed with reasons (and not, for example, as an *obiter dictum*) by the Federal Court of Justice (*Bundesgerichtshof*) in a third party case.

- (c) The validity and enforcement of any Guarantee granted by an AG Guarantor shall not be limited to the extent any payment under the Guarantee demanded by a Finance Party from the relevant AG Guarantor is covered (*gedeckt*) by a fully valuable and recoverable consideration or recourse claim (*vollwertiger Gegenleistungs- oder Rückgewähranspruch*) of the AG Guarantor against the affiliate whose obligations are secured by the relevant Guarantee and would therefore not lead to a violation of Section 57 sub-section 1 of the German Stock Corporation Act (*AktG*), unless this exception would lead to a violation of Section 71 a of the German Stock Corporation Act (*AktG*).
- (d) For the avoidance of doubt, the validity and enforceability of any Guarantee granted by an AG Guarantor or of any Subsidiary of that AG Guarantor in respect of any borrowing liabilities which are owed by that AG Guarantor or any of its Subsidiaries shall not be limited under paragraphs (a) and (b) above.
- (e) The validity and enforcement of any Guarantee granted by an AG Guarantor or of any Subsidiary of that AG Guarantor shall not be limited under paragraphs (a) and (b) above in an amount equal to the amount drawn under the Facilities (the *Drawn Amount*) if and to the extent such Drawn Amount is applied for the repayment, prepayment or other refinancing of any Financial Indebtedness of such AG Guarantor or Subsidiary of such AG Guarantor, provided that exception does not lead to a violation of section 57 of the German Stock Corporation Act (*AktG*).
- (f) The restrictions set out in paragraph (b) above do not affect the rights of the Finance Parties to claim any outstanding amount again at a later point in time if and to the extent paragraph (b) above would allow such claim at that later point.
- (g) For the avoidance of doubt, the limits set out in paragraphs (a) and (b) above shall no further apply from the date the AG Guarantor is no longer incorporated as a public limited liability company (*Aktiengesellschaft*) unless such Guarantor is a Subsidiary of another AG Guarantor in which case paragraphs (a) and (b) above shall apply in a way that the Guarantor shall be treated as a Subsidiary of that other AG Guarantor in accordance with paragraphs (a) and (b) above. In such event, the limits set out in paragraphs (a) and (b) above shall not apply to the Guarantee granted by that Guarantor in respect of any liabilities which are owed by that other AG Guarantor or any of its Subsidiaries.

Any guarantee, indemnity or upstream benefit granted under any Finance Document by the Target or any of its Subsidiaries in respect of liabilities of its current or any future direct or indirect shareholder(s) (upstream) or a Subsidiary of such shareholder (but excluding any direct or indirect Subsidiary of the Target) (cross-stream) will in any case take effect not earlier than immediately after the occurrence of the Control Date.

- (h) German terms in this Clause (including any reference to German statutory provisions) shall be construed in accordance with German law.”

#### *General Comments regarding German Limitation Language*

German capital maintenance, liquidity maintenance and financial assistance rules (including with respect to Sections 30, 31 and 64 sentence 3 GmbH and Sections 57, 71a and 92 para. 2 sentence 3 AktG), are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of its subsidiaries constituted in the form of, as applicable, an AG, a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the German Notes Guarantors to make payments on the Notes or the Notes Guarantees or the enforceability of the Notes Guarantees, the Indentures and the Security Documents relating to the Collateral (i.e. the share pledges and any other security interest) provided by the German Notes Guarantors.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding “destructive interference” (*existenzvernichtender Eingriff*) (i.e., a situation in which a shareholder deprives a GmbH of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee or other collateral granted by the German Notes Guarantors. In such a case, the amount of proceeds to be realized in an enforcement process may be reduced, even to nil. Moreover, according to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the stressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of the Notes Guarantee or any Collateral by the German Notes Guarantors (including in the legal form of an AG).

Furthermore, the beneficiary (e.g., a holder of Notes) of a transaction qualifying as a repayment of the stated share capital of a grantor of a guarantee or security interest, as applicable, (e.g., the enforcement of such guarantee or security interest) could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee or provider of security interest is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

#### *Parallel Debt; Security Interests*

Under German law, certain “accessory” security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such accessory security interests (*akzessorische Sicherungsrechte*) cannot be held on behalf of third parties who do not (yet) hold the secured claim, will automatically lapse to the extent a secured claim is settled, discharged or novated, and may not be assigned independently, but will automatically follow the claims they secure in case the relevant secured claim is assigned. The holders of interests in the Notes from time to time will not be party to the Security Documents. In order to permit the holders of the Notes from time to time to benefit from pledges granted to the Security Agent under German law, the Intercreditor Agreement will provide for the creation of a “parallel debt.” Pursuant to the creation of the parallel debt, the Security Agent has its own separate and independent claim equal to each amount payable by each obligor under, in particular, the Notes. The pledges governed by German law will directly and exclusively (to the extent the Notes are concerned) secure the parallel debt rather than the obligations under the Notes or the holders of the Notes directly. The validity of the parallel debt concept and of the pledges granted under German law to secure such parallel debt has not been tested under German law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by German law. Therefore, the ability of the Security Agent to enforce the Collateral may be restricted. In addition, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent. See “*Risk Factors—Risks Relating to the Senior Secured Notes*” and “*Risk Factors—Risks Relating to the Senior Notes*.”

German law does not generally permit the appropriation of pledged assets by the pledgee upon enforcement of the pledge. The enforcement of a share pledge under German law usually requires the sale of the asset constituting the collateral through a formal process involving a public auction to which certain waiting periods and notice requirements apply. Under German law, it is unclear whether the security interest in the collateral gives the Security Agent the right to prevent other creditors of the entities having granted such security from foreclosing on and realizing the asset constituting the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their ranking) in the distribution of any proceeds from the realization of the asset constituting the collateral and no right to intervene (i.e., the right to request the court to impose a stay on proceedings initiated by other creditors).

#### *Hardening Periods and Fraudulent Transfer*

Under the German Insolvency Code (*Insolvenzordnung*), an insolvency administrator or in the event that debtor-in-possession status has been granted, the trustee (*Sachwalter*) may also challenge (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and were effected prior to the commencement of insolvency proceedings during applicable avoidance periods. The administrator’s or the trustee’s right to challenge transactions can, depending on the circumstances, extend

to transactions during the ten-year period prior to the filing of the petition for commencement of insolvency proceedings. On March 29, 2017, the German legislator passed an act for the improvement of legal certainty concerning clawback pursuant to the German Insolvency Code and the German Avoidance Act (*Gesetz zur Verbesserung der Rechtssicherheit bei Anfechtungen nach der Insolvenzordnung und nach dem Anfechtungsgesetz*), which entered into force on April 5, 2017 (subject to certain transitional provisions). The amendments to the German Insolvency Code (*Insolvenzordnung*) and the German Avoidance Act (*Anfechtungsgesetz*) concern, *inter alia*, the provisions on avoidance for intentionally disadvantaging third-party creditors (*Vorsatzanfechtung*), cash transactions (*Bargeschäfte*) and interest accruing on avoidance claims.

In the event of insolvency proceedings with respect to us, which would be based on and governed by the insolvency laws of Germany, the payment of any amounts to the holders of Notes as well as the granting of collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges by an insolvency administrator or, as the case may be, trustee under the rules of avoidance as set forth in the German Insolvency Code (*Insolvenzordnung*). In case the validity or enforceability of the Notes or any collateral in favor of the Notes is challenged successfully, the holder of the Notes may not be able to recover any amounts under the Notes or the relevant collateral. If payments have already been made under the Notes or collateral, any amounts received from a transaction that had been challenged would have to be repaid to the insolvency estate. In this case, holders of Notes would only have a general unsecured claim under the Notes without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which terms also include the provision of security or the repayment of debt) may be avoided in the following cases, as recently amended by the act to improve legal certainty with respect to avoidance claims under the German Insolvency Code and the German Code on Avoidance (*Gesetz zur Verbesserung der Rechtssicherheit bei Anfechtungen nach der Insolvenzordnung und dem Anfechtungsgesetz*) which became effective on April 5, 2017:

- (a) any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of a petition for the commencement of insolvency proceedings, if the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances imperatively suggesting such illiquidity or filing);
- (b) any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) to which such creditor was not entitled or which was granted or obtained in a form in which or at a time at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the commencement of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggest such detrimental effect);
- (c) any transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, provided it was entered into (i) during the three months prior to the filing of the petition of the commencement of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time or (ii) after the filing of the petition for the commencement of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;
- (d) any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security (including a guarantee) for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the commencement of insolvency proceedings;

- (e) any act performed by the debtor (i) during the ten years prior to the filing of the petition for the commencement of insolvency proceedings or at any time after the filing with the intent to prejudice the insolvency creditors and the other party knew of such intention at the time of such act, with such knowledge being presumed if the beneficiary knew that the debtor's illiquidity was imminent and that the transaction disadvantaged the other creditors (except for acts granting an insolvency creditor, or enabling an insolvency creditor, to obtain security or satisfaction to which such creditor was entitled, in which case such knowledge (solely) being presumed if such creditor knew that the debtor was illiquid and that the transaction disadvantaged the other creditors), (ii) except for such acts granting an insolvency creditor, or enabling an insolvency creditor, to obtain security (*Sicherung*) or satisfaction (*Befriedigung*) (whether or not it was granted or obtained in a form or at a time to which or at which such creditor was entitled to such security or satisfaction), which may only be avoided if they were effected in the four years prior to the filing of the petition for the commencement of insolvency proceedings or at a time after the filing;
- (f) any non-gratuitous contract (*entgeltlicher Vertrag*) concluded between the debtor and an a related party (*nahestehende Person*) which directly operates to the detriment of the creditors can be challenged unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term 'related party' includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;
- (g) any act that provides security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) for a shareholder loan made to the debtor or an economically similar claim if (i) in the case of the provision of security, the act took place during the ten years prior to the filing of the petition for the commencement of insolvency proceedings or after the filing of such petition, or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition. It being understood, that the regulation for shareholder loans does not apply (i) to shareholders which own 10% or less of the shares or interest and are not engaged in management and (ii) until the successful restructuring of the debtor in case a creditor for the first time acquires shares during over indebtedness, illiquidity or imminent illiquidity for the purpose of restructuring the debtor; and
- (h) any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction was effected in the last year prior to the filing of a petition for the commencement of insolvency proceedings or thereafter and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety provider (*Garant oder Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

We note that the pledge over the shares in the Target, which is included in the Senior Secured Notes Issue Date Collateral, was granted by German Holdco. German Holdco was only incorporated after the date of the Senior Secured Credit Facilities Agreement to which it subsequently acceded as guarantor.

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor (e.g., a Guarantor) was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. If the relevant act granted an insolvency creditor, or enabled an insolvency creditor to obtain, security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) in a form in which and at a time at which such creditor was entitled to such security or satisfaction (*kongruente Deckungshandlung*), the words "imminent illiquidity" (*drohende Zahlungsunfähigkeit*) in the preceding sentence have to be replaced by "actual illiquidity" (*eingetretene Zahlungsunfähigkeit*). If an insolvency creditor concluded a payment agreement (*Zahlungsvereinbarung*) with, or granted other forms of deferred payment terms (*Zahlungserleichterung*) to, the debtor, there is a rebuttable presumption that the insolvency creditor did not have knowledge of the illiquidity of the debtor at the time of such act. With respect to a "related party," there is a general



statutory presumption that such party had “knowledge.” Any amounts obtained from transactions that have been challenged would have to be repaid to the insolvency estate.

Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order (*Vollstreckungstitel*) but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Avoidance Act (*Anfechtungsgesetz*). The conditions for avoidance under the German Avoidance Act differ to a certain extent from the above-described rules under the German Insolvency Code and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor’s (impending) insolvency or of circumstances indicating such debtor’s (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

The German restructuring laws may be subject to further amendments in near future due to the current EU Commission’s proposal as of November 22 2016 for a directive of the European Parliament and of the Council on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures and amending Directive 2012/30/EU which may, *inter alia*, stipulate that claims of the relevant creditors may be modified by majority vote and against the voting of a single creditor even outside formal insolvency proceedings.

## **United Kingdom**

Each of the Guarantors incorporated under the laws of England and Wales is subject to an English law debenture. Therefore, any insolvency proceedings by or against the Guarantors would likely be based on English insolvency laws. However, pursuant to the Recast Insolvency Regulation on Insolvency Proceedings, where a company incorporated under English law has its “centre of main interests” in a member state of the European Union other than England and Wales, then the main insolvency proceedings for that company may be opened in the member state in which its centre of main interests is located and be subject to the laws of that member state. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened.

Similarly, the UK Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (i.e., non-English) court may have jurisdiction where any English company has its centre of main interests in such foreign jurisdiction, or where it has an “establishment” (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services). To the extent that the UK Cross-Border Insolvency Regulations 2006 conflict with an obligation of the United Kingdom under the EU Insolvency Regulation, the requirements of the EU Insolvency Regulation will prevail.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar and, in the event that Guarantors incorporated in England and Wales experience financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in court, the company or the holder of a “qualifying floating charge” (discussed below) making an application for administration out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of a liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

The IA86 has no test for or definition of insolvency per se, but relies on the concept of a company being “unable to pay its debts” as the keystone for many of its provisions. Pursuant to section 123 of the IA86, a



company is deemed unable to pay its debts in certain circumstances, including, among others, the following: (i) if a creditor to whom the company is indebted in a sum exceeding £750 then due has served a statutory demand on the company requiring the company to pay the sum so due and the company has for three weeks thereafter failed to pay, secure or compound the sum; (ii) if it is proved to the satisfaction of the court that the company is unable to pay its debts as they fall due; or (iii) if it is proved to the satisfaction of the court that the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

The obligations under the Notes are secured by English law governed security interests over the Collateral and therefore English insolvency laws and other limitations could limit the enforceability of security interests over the Collateral.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the security interests over the Collateral that are governed by English law. The application of these laws could adversely affect investors and their ability to enforce their rights and/or the Collateral securing the Notes and therefore may limit the amounts that investors may receive in an insolvency of an English company.

### ***Fixed and Floating Charges***

Fixed charge security has a number of advantages over floating charge security: (a) an administrator appointed to the company which granted the floating charge can dispose of floating charge assets for cash or collect receivables charged by way of floating charge and use the proceeds and/or cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business while in administration) in priority to the claims of the floating charge holder; (b) a fixed charge over assets, even if created after the date of a floating charge over the assets, may rank prior to the floating charge over the relevant assets providing that the floating charge has not crystallized at the time the fixed charge is granted; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of floating charge assets to the extent the assets of the company available for creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge; (e) floating charge security is subject to certain challenges under English insolvency law; and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and, where the floating charge is not a security financial collateral arrangement, to the claims of unsecured creditors in respect of a ring fenced amount of the proceeds.

Under English law there is a possibility that a court could recharacterize as floating charges any security interests expressed to be created by a security document as fixed charges where the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof or does not exercise such control in practice as the description given to the charges in the relevant security document as fixed charges is not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

### **Spain**

Although the Notes will not be guaranteed by any guarantors incorporated in Spain due to applicable financial assistance rules, certain of STADA's subsidiaries in Spain guarantee the Senior Secured Credit Facilities up to the amount drawn under the Senior Secured Credit Facilities that is applied toward the repayment of the Existing Debt (each, a "Spanish Guarantor"). Pursuant to the Intercreditor Agreement, any proceeds from the Spanish guarantees received by the lenders under the Senior Secured Credit Facilities Agreement will have to be shared with the lenders in respect of certain hedging obligations and holders of the Senior Secured Notes on a *pari passu* basis and, to the extent that such obligations have been discharged in full, the holders of the Senior Notes on a subordinated basis. As a result, the description of Spanish law set forth below discusses the limitations applicable to the guarantees provided by the Spanish Guarantors of the Senior Secured Credit Facilities, because such guarantees may indirectly benefit the holders of the Notes.

## *Spanish Insolvency Law*

The Spanish Insolvency Act 22/2003, of July 9, as amended (the “Spanish Insolvency Act”) regulates insolvency proceedings, as opposed to out-of-court liquidation (which, pursuant to Spanish corporate law, is only available when the debtor has sufficient assets to meet its liabilities). The Spanish full-blown insolvency proceeding (bankruptcy), which is referred to as “*concurso de acreedores*,” applies to all persons or entities (save for limited exceptions specifically contemplated in the Spanish Insolvency Act). These proceedings may lead either to reorganization through the implementation of an agreement between the creditors and the debtor (the “Company Voluntary Agreement” or the “Composition Agreement”) or to the liquidation of the debtor’s assets.

### *Insolvency Filing*

A debtor (in the case of a company, its directors) is required to file the bankruptcy petition upon inability to regularly pay its liabilities as they become due. The debtor is also entitled (but not required) to apply for such insolvency proceedings when it foresees its inability to regularly pay liabilities as they become due. Creditors do also have standing to petition bankruptcy when the debtor is unable to regularly pay its debts as they come due.

Bankruptcy is considered voluntary (*concurso voluntario*) if filed by the debtor. If the debtor requests the bankruptcy, it must prove its current or imminent insolvency. The debtor must file a petition for bankruptcy within two months after it becomes aware, or should have become aware, of its state of insolvency (inability to regularly pay the debts as they come due). It is presumed that the debtor becomes aware of its insolvency, unless otherwise proven, if any of the circumstances that qualify as the basis for a petition for mandatory insolvency occur. Where the debtor fails to file a petition for bankruptcy within the time period established by law (two months), (i) the directors may be removed from office and substituted by a bankruptcy authority once the bankruptcy is declared and the bankruptcy process is initiated; (ii) the debtor may be unable to exercise certain courses of action (including, *inter alia*, the possibility of submitting a pre-arranged settlement proposal); and (iii) the directors may be held liable for the impaired claims accrued as from the consent of insolvency, should the debtor be liquidated and bankruptcy be classified as “guilty.”

Bankruptcy is considered mandatory or involuntary (*concurso necesario*) if filed by a third party. Under article 2.4 of the Spanish Insolvency Act, a creditor can seek a debtor’s declaration of insolvency if it can prove that the debtor has failed to attach any assets, or sufficient assets, to pay the amount owed. A creditor may also apply for a debtor’s insolvency if it can prove to the court: (i) a generalized default on payments by the debtor; (ii) a seizure of assets affecting or comprising the generality of the debtor’s assets; (iii) a misplacement, “fire sale,” hasty, loss-making or ruinous liquidation of the debtor’s assets; or (iv) a generalized default on certain tax, social security and employment obligations during the applicable statutory period (i.e. three months).

### *Pre-Insolvency Filing*

Spanish law currently contains a restructuring moratorium proceeding known as article 5.bis pre-bankruptcy proceeding, which is an insolvency proceeding under both Spanish and European regulation. It protects the debtor, for a four-months period, from petitions for involuntary cases.

The general duty to file for bankruptcy within the referred two-months period does not apply if the debtor notifies the applicable Court that it has initiated negotiations with its creditors to obtain support to reach a pre-arranged composition agreement (*propuesta de convenio anticipado*) or an out-of-court workout (a refinancing agreement) set out in Section 71.bis.1 or in the Fourth Additional Disposition of the Spanish Insolvency Act (the so-called 5 bis communication). Effectively, by means of the 5 bis communication, on the top of those two months, the debtor gains an additional three-months period as from the date when the debtor gives such notice, to achieve an agreement with its creditors or to obtain accessions to an anticipated composition agreement and one further month to file for bankruptcy, if after the above mentioned period of three months has elapsed without an agreement being reached and the situation of insolvency persists. During such period of time, creditors’ petitions for involuntary cases will not be accepted.

Additionally, during the four-month protection period provided for by 5 bis notice (or three months according to certain case law), enforcement will be prevented: (i) by creditors, other than public, over assets which are necessary for the continuity of the debtor’s business; and (ii) by financial creditors

referred to in the 4th Additional Provision of the Spanish Insolvency Act over any asset, provided financial creditors holding at least 51% of the financial indebtedness (by value) of the insolvent debtor have expressed their will to commence negotiations in order to reach a refinancing agreement and have committed not to initiate or continue enforcement proceedings against the debtor.

Further, any outstanding enforcement action which falls into the above categories that was commenced before the filing for a pre-insolvency moratorium will be suspended.

### ***Enforcement and Termination in a Pre-Insolvency Scenario***

The obligations under the Senior Notes and the Guarantees might not necessarily be enforced in accordance with their respective terms in every circumstance, such enforcement being subject to, *inter alia*, the nature of the remedies available in the Spanish Courts, the acceptance by such court of jurisdiction, the discretion of the courts, the power of such courts to stay proceedings, the provisions of the Spanish Law on Civil Procedure (*Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil*) regarding remedies and enforcement measures available under Spanish law, the provisions of the Spanish Insolvency Act and other principles of law of general application. In this regard:

- Spanish law does not expressly recognize the concept of an indemnity. Section 1,152 of the Spanish Civil Code establishes that any penalty (*cláusula penal*) agreed by the parties in an agreement will substitute damages (*indemnización de daños*) and the payment of interest (*abono de intereses*) in an event of breach, unless otherwise agreed. Spanish Courts may modify the penalty agreed on an equitable basis if the debtor has partially or irregularly performed its obligations, unless the penalty (liquidated damages) was aimed at such partial performance (and in any event if it is deemed to be disproportionate according to the good faith principle). There is doubt as to the enforceability in Spain of punitive damages.
- Where obligations are to be performed in a jurisdiction outside Spain, they may not be enforceable in Spain to the extent that performance would be illegal under the laws of the applicable jurisdiction.
- Spanish law precludes the validity and performance of contractual obligations to be left at the discretion of one of the contracting parties. Therefore, Spanish courts may refuse to uphold and enforce terms and conditions of an agreement giving discretionary authority to one of the contracting parties.
- Spanish law, as applied by the Spanish Supreme Court, precludes an agreement being terminated on the basis of a breach of obligations, undertakings or covenants which are merely ancillary or complementary to the main undertakings foreseen under the relevant agreement (such as payment obligations under financing agreements), and allows Spanish courts not to enforce any such termination.
- Under Spanish law, acts carried out in accordance with the terms of a legal provision whenever said acts seek a result which is forbidden by or contrary to law, shall be deemed to have been executed in circumvention of law (*fraude de ley*) and the provisions whose application was intended to be avoided shall apply.

### ***Effects of Bankruptcy Declaration***

#### ***Effects for the Debtor***

As a general rule, the debtor in a voluntary case retains its management power, but is subject to the intervention (*intervención*) of the insolvency trustee (*administrador concursal*), who is appointed by the court. In the case of mandatory insolvency, as a general rule, the debtor's management will be replaced (*sustitución*) by the insolvency trustee. However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency trustee's request, the court has the power to swap the intervention regime for a suspension regime or vice versa. Actions carried out by the debtor that breach any required supervision of the bankruptcy authorities may be declared null and void.

#### ***Effects on Contracts***

Bankruptcy declaration does not affect contracts with reciprocal obligations pending performance by both parties by bankruptcy declaration (executory contracts), which remain in full force and effect, and the obligations of the insolvent debtor will be fulfilled against the insolvent estate. The court can nonetheless

terminate (reject) any such contracts at the request of the insolvency trustee (provided that management's powers have been solely conferred upon the insolvency trustee), the company itself (if its powers to manage and dispose of its business are only subject to the intervention of the insolvency trustee) when such termination is in the interest of the estate (*resolución del contrato en interés del concurso*), or terminate for breach at the request of the non-insolvent party if there has been a breach of such contract. The termination of such contracts may result in the insolvent debtor having to return consideration received or indemnify its counterparty against the insolvency estate (*con cargo a la masa*). On the other hand, the judge may decide to cure any breach of the insolvent debtor at its request or the insolvency trustee's request (assumption) (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party shall have a estate claim.

Creditors will be able to accelerate, but not to terminate executory contracts based only on bankruptcy declaration (*declaración de concurso*) of the debtor. All clauses in contracts with mutual obligations that entitle any party to terminate an agreement based solely on the other party's declaration of insolvency (*ipso facto* clauses) are deemed as not included in the agreement (void) and, therefore, unenforceable, except if expressly permitted by specific laws (i.e., agency laws).

Additionally, bankruptcy declaration suspends interest accrual, except for claims secured with an *in rem* right, in which case interest accrues up to the value of the security, and except for any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding Law of the State Budget (*Ley de Presupuestos del Estado*).

In any event, setoff is prohibited unless the requirements for the setoff were satisfied prior to the declaration of insolvency or the claim of the insolvent debtor is governed by a law that permits set-off.

As a general rule, bankruptcy declaration stays, up to a year, enforcement proceedings tied to collateral necessary to pursue the ordinary course (excluding financial collateral, as defined in Royal Decree Law 5/2005, which can be enforced as any time, and where the collateral is located outside of Spain).

The enforcement of any security over certain assets that are necessary to the continuation of the commercial or professional activity of the insolvent company (*in rem* securities) is prohibited until the earlier of: (i) an arrangement of a composition agreement being reached, provided that the composition agreement does not affect such right; or (ii) one year having elapsed as of the declaration of the insolvency without the opening of the liquidation phase.

Nevertheless, shares/quota shares held by an insolvent debtor in another company whose only activity is the holding of a material asset and servicing the financing provided in connection with the acquisition of that asset, are not considered to be an asset necessary for the debtor's business activity as long as the foreclosure of the relevant security interest that has been granted over such shares/quota shares does not bring about an early termination or amendment of the contractual relations permitting the economic exploitation of the relevant asset. When compatible, in order to protect the interests of the debtor and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor or administrative law).

### *Ranking of Credits*

The judge's insolvency order contains an express request for creditors to declare debts owed to them within a one-month period following the last official publication in the Official State Gazette (*Boletín Oficial del Estado*) of the court order declaring the insolvency (proof of claims), by providing original documentation that justifies their claims. Based on such documentation provided by the creditors and held by the debtor, the insolvency trustee draws up a list of acknowledged claims and classifies them according to the categories established under law, which are as follows: (i) claims against the debtor's estate; (ii) claims benefiting from special privileges; (iii) claims benefiting from general privileges; (iv) ordinary claims; and (v) subordinated claims.

- (a) Claims against the insolvency estate (*créditos contra la masa*) from Section 84 of the Spanish Insolvency Act sets out the so-called "estate claims" which are pre-deductible claims from the estate (excluding those assets of the insolvent debtor subject to *in rem* security), are generally payable when due according to their own terms (and, therefore, are paid before other claims). Debt against the insolvency estate includes, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts deriving from executory contracts and obligations to return and indemnify in cases of voluntary termination or breach by the insolvent



debtor, (iv) those amounts that derive from the exercise of a clawback action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it, if tied to bilateral contracts (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from tort liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (vi) certain debts incurred by the debtor following the declaration of insolvency; (vii) in case of liquidation, the credit rights granted to the debtor under a Composition Agreements in accordance with article 100.5 of the Spanish Insolvency Act, (viii) 50% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the 4th Additional Provision of the Spanish Insolvency Act; and (ix) the new funds lent by persons being in a special relationship with the debtor in the context of a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the 4th Additional Provision of the Spanish Insolvency Act, provided further that such new funds do not result from a share capital increase, loans or acts with analogous purpose.

- (b) Claims benefiting from special privileges, representing security on certain assets (*essentially in rem security*). Creditors benefiting from special privileges, representing security over certain assets (*in rem securities*) up to the amount of the value of their security, provided that such security is listed in the creditors' list (in this regard, the value of a security shall be 90% of the reasonable value of the secured asset determined in accordance with the rules provided for in the Spanish Insolvency Act minus senior claims). The part of the claim exceeding the value of their security will be classified according to the nature of the claim. These claims benefiting from special privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year from the declaration of the insolvency and certain additional limitations set forth in the Spanish Insolvency Act. However, within such waiting period or while any enforcement proceedings remain suspended under the Spanish Insolvency Act, the insolvency trustee has the option to pay the relevant claims against the insolvency estate under specific payment rules. Privileged creditors are not subject to Composition Agreement, unless they give their express support by voting in favor of the Composition Agreement or, in case they do not give such express support, if creditors holding security which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of secured claims of the same class vote in favor of such composition agreement. In the event of liquidation, they are the first to collect payment against the secured assets on which they are secured.
- (c) Claims benefiting from general privileges include, among others, certain labor debts and certain debts with public administrations. Other debts with public administrations corresponding to tax debts and social security obligations and debts held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved, are recognized as privileged for up to 50% of the amount of such debts. New funds under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the 4th Additional Provision of the Spanish Insolvency Act in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) will also be credits with general privileges. The holders of general privileges are not to be affected by the restructuring (under a Composition Agreement) except if they give their express support by voting in favor of the Composition Agreement or, in the case they do not give such express support, if creditors holding claims benefiting from general privileges which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of claims benefiting from general privileges of the same class vote in favor of such composition agreement. If they do not agree to the arrangement and, in the event of liquidation, they are the first to collect payment (in the order established by law).
- (d) Ordinary claims (non-subordinated and non-privileged claims) will be paid on a pro-rated basis from the proceeds of the assets not subject to secured claims, former pre-deduction of estate claims and generally privileged claims.
- (e) Subordinated claims are thus classified contractually or pursuant to law. Debts subordinated by virtue of law include, among others, those credits held by parties in special relationships with the debtor. In the case of individuals, this includes their relatives, legal entities controlled by the debtor or its relatives, the factual or legal administrators of such legal entities, any other legal entity forming part of the same group of companies and the legal entities in respect of which the people described in this paragraph are their factual and legal administrators. In the case of a legal entity, the following shall be deemed as "specially related parties": (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any specially related party to these shareholders, as



described herein); (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company's share capital (or 5% if the company is listed)—when the shareholder is an individual, those who would be specially related to the individual are also specially related to the debtor; or (iii) directors (either *de jure* or *de facto*), liquidators and those holding general powers of attorney from the insolvent company (including those people that have held these position during the two years prior to the insolvency declaration); and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the minimum shareholding requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights or were appointed as directors pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Section 71.bis or the 4th Additional Provision of the Spanish Insolvency Act shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any of the persons mentioned in this paragraph are presumed to be persons specially related to the insolvent debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared open.

Subordinated creditors are second-level creditors: they do not vote on the Composition Agreement and in the event of liquidation collect payment according to the ranking established in the Spanish Insolvency Act (once ordinary creditors have been paid in full).

#### *Hardening Periods*

There is no automatic claw-back by virtue of law. Therefore, there are no prior transactions that automatically become void as a result of initiation of the insolvency proceedings. The insolvency trustee may only challenge those transactions that could be deemed as being “detrimental” to the insolvent debtor's estate, provided that they have taken place within two years prior to bankruptcy declaration, even in the absence of fraudulent intent (in accordance with Article 71.7 of the Spanish Insolvency Act, transactions taking place four years before the insolvency declaration are subject to the general regime of rescission set forth in the Spanish Civil Code).

“Detriment” does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interests. Pursuant to the law, (a) detriment exists (as a non-rebuttable presumption, without admission of proof to the contrary) in the case of (i) disposals without consideration, except for ordinary largesse (*liberalidades de uso*) and (ii) early payment of unsecured obligations maturing after the insolvency declaration (except secured claims); and (b) detriment is deemed to exist (as a rebuttable presumption) in the case of (i) transactions entered into with parties that have a special relationship with the debtor, (ii) the creation of in rem rights in order to secure pre-existing obligations or those incurred to replace existing obligations and (iii) the cancellation of obligations secured by an in rem security falling due after the declaration of insolvency. In the remaining cases, detriment would have to be evidenced by the party seeking rescission.

Guarantees or security interests granted by a Spanish company in favor of a third party, to secure other group companies' debt may be subject to clawback, on the basis that such guarantees or security interests may be considered as detrimental to the guarantor's estate, if the guarantor is not able to show that there was a tangible and identifiable corporate benefit for the guarantor to grant such guarantee or security (beyond an abstract group interest or general mentions to pertinence to the same group of companies or the so-called “group interest”). Whether or not the granting of any upstream guarantee or security by the guarantor is detriment to the guarantor's estate is a factual matter that will need to be proven on a case by case basis (the beneficiary of the guarantee bearing the burden of such proof). Notwithstanding the foregoing, Spanish case law recognizes the validity of upstream guarantees.

If a rescission action is successful, restoration of the assets that are the subject of the transaction, together with the proceeds and interest, will be ordered by the judge. If the assets cannot be restored to the debtor, the counterparty to the insolvent debtor must pay an amount in cash equal to the value of the assets at the time of their disposal, plus interest. If the judge rules that the transaction has been conducted in bad faith, the liable party will be obligated to indemnify the debtor for loss and damages suffered as its claim will be classified as subordinated. If the judge does not conclude that the transaction was conducted in bad faith, the counterparty to the debtor will settle its credit simultaneously with the restoration of the assets and rights to the insolvency estate as per bilateral contracts.

The exercise of rescission actions does not prevent other actions against the debtor in accordance with law, which may be brought before the bankruptcy judge.

Under no circumstances can be rescinded: (i) ordinary transactions carried out within the debtor's ordinary course of the business cannot be rescinded, provided that they are carried out under market conditions, (ii) actions contemplated in the specific legislation regarding systems of payment, set-off or liquidation of values and derivative instruments, and (iii) guarantees constituted in favor of Public Law credits or credits in favor of the labor authorities.

Neither "Refinancing Agreements," nor any transactions, acts and payments accomplished or any guarantees instituted in the performance of such "Refinancing Agreements," will be subject to an action for rescission, provided that they comply with the requirements set out below in section 'Protection of Certain Refinancing Agreements'.

### ***Fraudulent Conveyance Laws***

Under Spanish law, in addition to the bankruptcy clawback action, the insolvency trustee and any creditor may bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) against its debtor and the third party which is a party to such contract or agreement, provided the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;
- such act was fraudulent;
- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed. Pursuant to Article 1,297 of the Spanish Civil Code: (i) agreements by virtue of which the debtor transfers assets for no consideration and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *juris et de jure* presumption (cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *juris tantum* presumption (a rebuttable presumption).

If the rescission action were to be upheld, the third party would be liable to return the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

### ***Protection of Certain Refinancing Agreements***

Certain refinancing agreements denominated "Collective Refinancing Agreements" may be protected from claw-back risk provided that they comply with certain requirements further explained in the section referred to as "*Cramdown Effects of Certain Refinancing Agreements*."

In the case that such refinancing agreements are not subject to the procedure of judicial sanctioning therein described (*homologación*), they may still have certain (but not total) protection against clawback, if they are backed by at least 3/5 (60%) of the total claims of the insolvent debtor (calculated on an individual and on a consolidated basis but excluding intragroup claims). Among other requisites, the refinancing agreements must be founded on a viability plan reflecting that the insolvent debtor will be viable in the short and medium term and must comply with the rest of requirements explained below.

### *Cramdown Effects of Certain Refinancing Agreements*

In order to seek protection against clawback, refinancing agreements can be judicially sanctioned (*homologado*) by the commercial court that will be competent to conduct a potential bankruptcy proceeding, upon request by the debtor or by any creditor having entered into such refinancing agreements, if (i) they entail a significant enlargement of debtor's credit or a change in the debt structure by either granting a longer term or replacing previous claims with new ones with longer maturity dates; (ii) they have been subscribed by creditors holding financial liabilities representing, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (that is to say the Spanish Insolvency Act excludes public creditors, labor creditors and those of commercial transactions in order to calculate whether the required thresholds are met) at the date of the refinancing agreement; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached (in the case of a group of companies, pursuant to certain precedents, the majority arguably refers both individually to each company and to the group as a whole -where the intercompany claims are not taken into account-), and when the company has no auditor, by the one appointed for this purpose; and (iv) the agreement is formalized in a public instrument and the documents that validate its content must be attached. Judicially sanctioned refinancing agreements will not be subject to the bankruptcy claw-back action, but they may be challenged pursuant to general fraudulent conveyance law.

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated loan will be deemed to have adhered to the refinancing agreement if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement. Whether or not dissidents can be extended effects beyond those provided by the law or object to homologation, and whether they have standing to object to homologation, is controversial.

The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured financial creditors including secured financial creditors to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out by the latest reform of the Spanish Insolvency Act and (ii) dissenting secured creditors in respect of their secured claims, provided they achieve the thresholds mentioned below:

- a. If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities, stays of payments may be granted for up to five years or the debt converted into so-called profit participation loans (*préstamos participativos*) of term up to five years.

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor.

- b. If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:
  - i. stays of payments for up to ten years;
  - ii. haircuts;
  - iii. capitalization of debt. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or, as default option, (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;
  - iv. conversion of debt into profit participation loans of up to ten years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and
  - v. assignment of assets or rights as assignment in kind for total or partial payment of the debt (*datio pro solute* or *datio pro solvendo*).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

### *Applicable Jurisdiction*

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its “centre of main interests.” This “centre of main interests” is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the “centre of main interests” are considered “the principal insolvency proceedings” and have universal reach affecting all the assets of the insolvent party worldwide, with certain exceptions, such as security interests over assets located outside of Spain. If the “centre of main interests” is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the “territorial insolvency proceedings”).

In the event Spanish courts have jurisdiction, article 87.3 of the current Spanish Insolvency Act may apply, in which case the claims of the beneficiaries of the guarantee provided by a Spanish Guarantor may be classified as “contingent” claims and no amount may be recognized until and when a default occurs and the guarantee is validly enforced. Nor will they have voting rights. Special rules can apply if the guarantee is not a first demand guarantee but an ordinary guarantee (*fianza*) and, therefore, the benefits of preference (*exención*), order (*orden*) and division (*división*) apply.

### *Limitations on Validity and Enforcement of the Notes Guarantees and Security Interests*

In general terms, under Spanish law, any guarantee or security interest must guarantee or secure a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee or security agreement, and the nullity or termination of the primary obligation entails the nullity or termination of the ancillary guarantee or security interest. Consequently, if the primary obligation terminated, the ancillary guarantee or security interest will also be deemed null and void. In the event that the guarantor or security provider is able to prove that there are no existing and valid guaranteed or secured obligations, Spanish courts may consider that the guarantor or security provider’s obligations under the relevant guarantee or security agreement are not enforceable. In addition, a guarantee or security interest may not be enforced in Spain without having validly accelerated (totally or partially, as applicable) the underlying agreements governing the guaranteed or secured obligations, and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the secured obligations.

A Spanish court may not accept acceleration (*vencimiento anticipado*) of an agreement if the default were of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would not be permitted by article 1,256 of the Spanish Civil Code.

Moreover, Spanish law may limit the ability of a Spanish Guarantor to guarantee the Senior Secured Notes or to grant security interests over its assets to secure the Senior Secured Notes. Recent Spanish rulings which do not constitute settled case law indicate, and certain scholars understand, that risk associated with a guarantee or the value of a security interest provided by a Spanish company to guarantee or secure indebtedness held by other companies within its corporate group must be reasonable and economically and operationally justified from the Spanish company’s perspective and justified under the corporate interest of such company. Notwithstanding the foregoing, there are rulings from the Spanish Supreme Court recognizing the validity of upstream guarantees.

Furthermore, the obligations of the Spanish Guarantor under its Notes Guarantee or under any security instrument granted by it cannot extend to any obligation which, if incurred, would constitute a breach of the Spanish financial assistance rules. Pursuant to these rules, the obligations of the Spanish Guarantor under the Notes Guarantee or any security granted or executed by such Spanish Guarantor:

- shall not extend to any use of the proceeds of the Senior Secured Notes for the purpose of acquiring shares representing the share capital of such Spanish Guarantor or shares representing the share capital of its direct or indirect parent company, or refinancing a previous debt incurred for the acquisition of shares representing the share capital of such Spanish Guarantor or shares representing the share capital of its direct or indirect parent company; and
- shall be deemed not to be undertaken or incurred by the Spanish Guarantor to the extent that the same would constitute unlawful financial assistance within the meaning of Article 150 and Article 143 of the Spanish Companies Law and, in that case, all provisions of such Notes Guarantee or security

shall be construed accordingly in the sense that in no case can any Notes Guarantee or security given by the Spanish Guarantor provides any such unlawful financial assistance.

- Spanish law prohibits financial assistance: (i) for public limited liability companies (*sociedades anónimas (S.A.)*) in relation to the acquisition of their own shares or the shares of any direct or indirect parent company, and (ii) for private limited liability companies (*sociedades de responsabilidad limitada (S.L.)*), in relation to the acquisition of their own shares and the shares of any member of their corporate group. Therefore, Spanish law governed guarantees or security interests granted or assumed by subsidiaries incorporated under the laws of Spain shall not extend to any payment obligation incurred by the Issuers for the purpose of acquiring the shares of such Spanish subsidiary or the shares of its direct or indirect parent company or, as applicable, any member of their group, to the extent that such security interest would constitute unlawful financial assistance within the meaning of Article 150 and 143 of Spanish Decree 1/2010 dated July 2 on Spanish Corporations (*Ley de Sociedades de Capital*). This limitation may also apply to the refinancing of acquisition debt, although this is widely debated between academics. Accordingly, any guarantee or security interest granted by any Spanish subsidiary shall not apply to the extent the proceeds are used to repay existing indebtedness of the Issuers if such existing indebtedness was used for the purposes described above. No whitewash procedures are available. Accordingly, the guarantee granted by any Spanish company will be limited by the amount of the funds that are not used for unlawful financial assistance purposes.
- Under Spanish law there are some provisions on capitalization which have to be taken into account when guarantees are enforced. For example, when the enforcement of the guarantee causes the amount of the relevant Spanish subsidiary net equity (*patrimonio neto*) to fall below half of its share capital, the Spanish subsidiary will need to be wound up (*disolverse*), unless its share capital is increased or decreased in the required amount to reestablish the balance between its net equity and its share capital, and *provided* that it is not required to declare its insolvency.

In addition, and whilst this remains a matter debated between Spanish scholars, it is possible that certain defenses available to the Spanish Guarantor relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, capital preservation or thin capitalization may limit the amount guaranteed under the Notes Guarantee by reference to the net assets and share capital of the Spanish Guarantor and the amount secured under the relevant security agreement by reference to the value of the collateral.

Under the Spanish Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley, de Sociedades de Capital*), Spanish companies (both public limited liability companies (*sociedades anónimas (S.A.)*) and private limited liability companies (*sociedades de responsabilidad limitada (S.L.)*) may issue and guarantee (or provide security for) numbered series of notes and other securities that recognize or create debt, with certain restrictions applicable to limited liability companies (*sociedades de responsabilidad limitada (S.L.)*). In particular, pursuant to Section 401 of the Spanish Companies Act, the Guarantee provided by Spanish Guarantors incorporated under the form of limited liability companies (“*sociedades de responsabilidad limitada*” or “*S.L.s*”), is subject to the following restrictions: (a) S.L.s can only issue and guarantee notes up to an aggregate maximum amount of twice its own equity (*recursos propios*), unless the issue is secured by a mortgage, a pledge of securities, a public guarantee or a joint guarantee from a credit institution (b) S.L.s are prohibited to issue or guarantee (or provide security for) notes convertible into quota shares (*participaciones sociales*).

In respect of the restrictions applicable to limited liability companies (*sociedades de responsabilidad limitada (S.L.)*), there is no consistent opinion among scholars and practitioners yet nor case law regarding the interpretation of Section 401 of the Spanish Companies Act.

Under Spanish law, claims may become time barred (5 years being the general term established for obligations *in personam* under Article 1,964 of the Spanish Civil Code (*Código Civil*)) or may be or become subject to the defense of set-off or counterclaim.

The terms “enforceable,” “enforceability,” “valid,” “legal,” “binding” and “effective” (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be



enforced in all circumstances in accordance with their terms. Enforcement before the courts will in any event be subject to:

- the nature of the remedies available; and
- the availability of defenses such as (without limitation) setoff (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

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

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

According to Spanish law, the law governing in *rem* legal aspects of a pledge is the law applicable in the place of location of the pledged asset (*lex rei sitae*). When the pledged asset is a credit right—such as receivables or intercompany loans—the determination of the *lex rei sitae* is unclear given its lack of physical existence. In these cases, several theories have been construed amongst Spanish scholars so as to determine the *lex rei sitae* (such as domicile of debtor of the credit rights being pledged, domicile of pledgor, law governing the credit right being pledged, etc.). If a judge considered that any of the pledges created over credit rights under the Spanish security documents is governed by the Catalan Civil Code, then this regulation would govern those pledges instead of the Spanish civil common law, which could determine the challenge of the validity of such pledges.

The concept of “parallel debt” may be questioned under Spanish law and we are not aware of any court precedent where it has been recognized by a Spanish Court.

Without notarization of the security documents, the secured parties will not have access to the executive summary proceedings (*juicio ejecutivo*) in case of judicial enforcement of the security documents in Spain, having the secured parties to follow necessarily the ordinary judicial proceedings (*juicio ordinario*).

## **The Netherlands**

### ***Dutch Insolvency Law***

Certain of the Guarantors are incorporated in The Netherlands. Any insolvency proceeding concerning any of such Guarantors would likely be based on Dutch insolvency law under the EU Insolvency Regulation. Under certain circumstances, bankruptcy proceedings may also be opened in The Netherlands in accordance with Dutch law over the assets of companies that are not incorporated under Dutch law.

The following is a brief description of certain aspects of Dutch insolvency law. There are two primary insolvency regimes under Dutch law: the first, moratorium of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor’s indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate assets and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*). In practice, a suspension of payments often results in bankruptcy. A general description of the principles of both insolvency regimes is set out below.

### *Suspension of Payments*

An application for a moratorium of payments can only be made by the debtor itself, if it foresees that it will be unable to continue to pay its payable debts. Once the request for a moratorium of payments is filed, a court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*). A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerpakkoord*) is filed simultaneously with the application for a moratorium of payments, the court can order that the composition will be processed before a decision about a definitive moratorium.

If the composition is accepted and subsequently ratified by the court (*gehomologeerd*), the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter of the amount of claims held by creditors represented at the creditors' meeting or more than one-third of the number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The granting of a definitive moratorium can also be withheld if there is a valid fear that the debtor will try to prejudice the creditors during a moratorium of payments or if there is no prospect that the debtor will be able to satisfy its creditors in the (near) future.

The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Unlike Chapter 11 proceedings under U.S. bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims during a moratorium of payments, under Dutch law secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, at the request of an interested party the court can order a "cooling down period" (*afkoelingsperiode*) for a maximum period of two months (which can be extended by the court once for another period of two months) during which enforcement actions by secured or preferential creditors are barred. Also in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will be binding for all unsecured and non-preferential creditors if it is approved by (i) a simple majority of the number of creditors represented at the creditors' meeting, representing at least 50% in amount of the claims that are acknowledged and admitted in the moratorium, and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency law could preclude or inhibit the ability of the noteholders to effect a restructuring and could reduce the recovery of a holder of Notes in a Dutch moratorium of payments proceeding. Interest payments that fall due after the date on which a moratorium of payments is granted, cannot be claimed in a composition.

### *Parallel Debt*

Under Dutch law, it is uncertain whether security interests can be granted to a party other than the creditor of the claim which is purported to be secured by such security interests. For that reason, the Intercreditor Agreement provides for the creation of "parallel debt" obligations in favor of the Security Agent (the "Parallel Debt") mirroring the obligations of the Issuer and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Indenture (the "Principal Obligations"), and a pledge under any Dutch Share Pledge will be granted to the Security Agent to secure only the Parallel Debt. The parallel debt concept has not been tested in Dutch courts, and there is no certainty that it will eliminate or mitigate the risk of unenforceability of a Dutch Share Pledge posed by Dutch law.

To the extent that the validity or enforceability of a Dutch Share Pledge is successfully challenged, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of a Dutch Share Pledge. In addition, the holders of the Notes bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

### *Bankruptcy*

Under Dutch law, a debtor can be declared bankrupt when it has ceased to pay its debts. The bankruptcy can be requested by a creditor of a claim when there is at least one other creditor. At least one of the aforementioned claims (of the bankruptcy requesting creditor or the other creditor) needs to be due and payable. The debtor can also request the application of bankruptcy proceedings itself.

During a Dutch bankruptcy proceeding, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective rank and priority of their claims. The

general principle of Dutch insolvency law is the *paritas creditorum* (principle of equal treatment), which means that all creditors have an equal right to payment and that the proceeds of bankruptcy proceedings shall be distributed in proportion to the size of their respective claims. However, certain creditors (such as secured creditors and tax and social security authorities) will have special rights that take priority over the rights of other creditors. Consequently, Dutch insolvency laws could reduce your potential recovery in a Dutch bankruptcy proceeding.

The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of the noteholders that were not due and payable by their terms on the date of a bankruptcy of the relevant Dutch Guarantor will be accelerated and become due and payable as of that date. Each of these claims will have to be submitted to the bankruptcy receiver (curator) to be verified. “Verification” under Dutch law means that the receiver determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy of the company for the purpose of the distribution of the proceeds. The valuation of claims that otherwise would not have been payable at the time of the bankruptcy proceeding may be based on a net present value analysis. Interest payments that fall due after the date of the bankruptcy cannot be verified. The existence, value and ranking of any claims submitted by the noteholders may be challenged in the Dutch bankruptcy proceeding. Generally, in a creditors’ meeting (*verificatievergadering*), the bankruptcy receiver, the insolvent debtor and all verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors’ meeting may be referred to separate court proceedings (*renvooi* procedure). These procedures could cause noteholders to recover less than the principal amount of their Notes or less than they could recover in a U.S. liquidation proceeding. Such *renvooi* proceedings could also cause payments to the noteholders to be delayed compared with holders of undisputed claims. As in moratorium of payments proceedings, in the bankruptcy of a company a composition may be offered to creditors, which shall be binding on unsecured non-preferential creditors if it is approved by (i) a simple majority in number of the creditors represented at the creditors’ meeting, representing at least 50% in amount of the claims that are acknowledged and conditionally admitted, and (ii) subsequently confirmed by the court. The Dutch Bankruptcy Act (*Faillissementswet*) does not in itself acknowledge the concept of classes of creditors. Remaining proceeds, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will be satisfied on a *pro rata* basis. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed.

Secured creditors may enforce their rights against assets of the debtor to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. As in moratorium of payments proceedings the supervisory judge (*rechter-commissaris*) can order a “cooling down period” for a maximum of two months (which can be extended once for another period of two months) during which enforcement actions by secured creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. Furthermore, a bankruptcy receiver can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have to share in the general costs of the bankruptcy, which can be significant. Excess proceeds of enforcement must be returned to the bankruptcy estate; they may not be set-off against an unsecured claim of the secured creditor in the bankruptcy. An exception applies in the case of set-off relating to a payment to the pledgor, not made during its bankruptcy and if there are no other pledgees or other holders of limited rights other than the pledgee, although a set-off prior to bankruptcy may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off. Moreover, to the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party’s obligations, enters into additional agreements benefiting from existing security and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its trustee in bankruptcy. See below “—Fraudulent Transfer.”

Under Dutch law, as soon as a debtor is declared bankrupt, in principle, all pending executions of judgments against such debtor, as well as all attachments on the debtor’s assets (other than with respect to secured creditors and certain other creditors, as described above), will be terminated by operation of law. Simultaneously with the opening of the bankruptcy, a bankruptcy receiver will be appointed. The proceeds resulting from the liquidation of the bankruptcy estate may not be sufficient to satisfy unsecured creditors under the guarantees granted by an insolvent guarantor after the secured and the preferential creditors

have been satisfied. In principle, litigation pending on the date of the bankruptcy order is automatically stayed.

### ***Limitations on Enforcement***

If a Dutch private limited liability company or public limited liability company grants a guarantee or security interest and that guarantee or security interest is not in the company's corporate interest, the guarantee or security interest may be nullified by the relevant Dutch company, its bankruptcy receiver (*curator*) in bankruptcy (*faillissement*) and its administrator (*bewindvoerder*) in moratorium of payment proceedings (*surseance van betaling*) or otherwise and, as a consequence, not be valid, binding and enforceable against it. In determining whether the granting of a guarantee or security interest is in the interest of a Dutch company, Dutch courts would not only consider the text of the objects clause in the articles of association (*statuten*) of the company but all relevant circumstances, including (i) whether the company irrespective of the wording of the objects clause derives certain commercial benefits from the transaction in respect of which the guarantee or security interest was granted and (ii) the balance between the risk that the company is assuming and the benefit it derives from such transaction. In addition, if it is determined that there are no, or insufficient, commercial benefits from the transactions for the company that grants the guarantee, then such company (and any bankruptcy receiver) may challenge the enforcement of the guarantee or security interest, and it is possible that such challenge would be successful. Such benefit may, according to Dutch case law, consist of an indirect benefit derived by the company as a consequence of the interdependence of such company with the group of companies to which it belongs. In addition, it is relevant whether, as a consequence of the granting of the guarantee or security interest, the continuity of such company would foreseeably be endangered by the granting of such guarantee or security interest. It remains possible that even if such strong financial and commercial interdependence exists, the transaction may be declared void if it appears that the granting of the guarantee or security interest cannot serve the realization of the relevant company's objects or where it is determined that there is a material imbalance to the disadvantage of the company between the commercial benefit on the one hand and the risks on the other hand. The above also applies with respect to any security interest granted or other legal act entered into by a Dutch company.

If Dutch law applies, a guarantee or security governed by Dutch law may be voided by a court, if the document was executed through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or mistake (*dwalen*) of a party to the agreement contained in that document. Payment pursuant to a guarantee or following enforcement or foreclosure of security granted may, regardless of an insolvency situation occurring or not, also be withheld due to unforeseen circumstances (*onvoorziene omstandigheden*), force majeure (*niet-toerekenbare tekortkoming*) or reasonableness and fairness (*redelijkheid en billijkheid*). Other impeding factors include dissolution (*ontbinding*) of contract and set off (*verrekening*).

In addition, a guarantee issued by a Dutch company and a security interest provided by a Dutch company may be suspended (*schorsen*) by the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) on the motion of the holder or holders of 10% or more of the shares in such company, as well as on the motion of a trade union and of other entities entitled thereto in the articles of association of the relevant Dutch company. Likewise, the guarantee or security itself may be upheld by the Enterprise Chamber, yet actual payment under it may be suspended or avoided.

According to Dutch case law, a director (*bestuurder*) of a company acts wrongfully against a creditor of the company if he has entered into commitments on behalf of that company, while he knew or reasonably ought to understand that the company would not, or not within a reasonable period of time, be able to meet its obligations and would not provide sufficient opportunity for recourse for the detriment that the creditor would suffer on the basis thereof. The foregoing is subject to any circumstances raised by the director on the basis of which the conclusion is justified that he personally cannot be blamed sufficiently (*voldoende ernstig verwijt*) for the detriment suffered.

### ***Fraudulent Transfer***

To the extent that Dutch law applies, a guarantee or security interest granted by a legal entity may, under certain circumstances, be nullified by any of its creditors, if (i) the guarantee or security interest was granted without prior existing legal obligation to do so (*onverplicht*), (ii) the creditor(s) concerned was/were prejudiced as a consequence of the guarantee or the granting of the security interest and (iii) at the



time the guarantee or security interest was granted both the legal entity and, unless the guarantee or security interest was granted for no consideration (*om niet*), the beneficiary of the guarantee or security interest knew or should have known that one or more of the entities' creditors (existing or future) would be prejudiced (*actio pauliana*). Also to the extent that Dutch insolvency law applies, a guarantee or security interest may be nullified by the bankruptcy receiver (*curator*) on behalf of and for the benefit of all creditors of the insolvent debtor, and in such case the beneficiary of the guarantee or security interest is presumed (subject to evidence to the contrary) to have known that creditors of the debtor would be prejudiced if the bankruptcy follows within a year of the granting and for no consideration. The foregoing requirements for invoking fraudulent transfer outside of a bankruptcy apply *mutatis mutandis* when invoking fraudulent transfer provisions during a bankruptcy. In addition, the bankruptcy receiver may challenge the guarantee or security interest if it was granted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the guarantee or security interest was granted at a time that the beneficiary of such guarantee or security interest knew that a request for bankruptcy had been filed or (ii) if such guarantee or security interest was granted as a result of deliberation between the debtor and the beneficiary of such guarantee or security interest with a view to give preference to the beneficiary over the debtor's other creditors. Consequently, the validity of any guarantees or security interests granted by a Dutch legal entity may be challenged and it is possible that such challenge would be successful.

It is not certain and has not been determined in published case law whether a right of pledge on shares can be created in advance of the acquisition of the shares by the pledgor. If a security right is created on collateral to which a Dutch company has not yet obtained a legally valid title, such collateral will not be subject to such a security interest if that company is declared bankrupt or granted a moratorium of payments prior to obtaining title thereto.

It is not possible to conduct searches in respect of any Dutch law governed security (other than, if created, in respect of rights of mortgage), with the exception of any pledge created on the shares in a Dutch private limited liability company which should be registered in its shareholders' register. However, this does not constitute conclusive evidence of the absence of any pre-existing security.

## **Republic of Ireland**

### ***Insolvency***

Certain of the Guarantors are incorporated under the laws of Ireland and have their registered offices in Ireland (the "RoI Guarantors"). Under the Recast EU Insolvency Regulation, each RoI Guarantor's centre of main interest ("COMI") is presumed to be the place of its registered office (i.e. Ireland) in the absence of proof to the contrary and provided that the relevant RoI Guarantor did not move its registered office within the three months prior to a request to open insolvency proceedings.

As each RoI Guarantor's COMI is presumed to be Ireland, any main insolvency proceedings in respect of the relevant RoI Guarantor would fall within the jurisdiction of the courts of Ireland. As to what might constitute "proof to the contrary" regarding the location of a company's COMI, the key decision is that in *Re Eurofood IFSC Ltd* ((2004) 4 IR 370 (Irish High Court); (2006) IESC 41 (Irish Supreme Court); (2006) Ch 508; ECJ Case C-341/04 (European Court of Justice)), given in respect of the equivalent provision in the previous EU Insolvency Regulation (Regulation (EC) No. 1346/2000). In that case, on a reference from the Irish Supreme Court, the European Court of Justice concluded that "factors which are both objective and ascertainable by third parties" would be needed to demonstrate that a company's actual situation is different from that which the location of its registered office is deemed to reflect. For instance, if a company with its registered office in Ireland does not carry on any business in Ireland, that could rebut the presumption that the company's COMI is in Ireland. However, if a company with its registered office in Ireland does carry on business in Ireland, the fact that its economic choices are controlled by a parent undertaking in another jurisdiction would not, of itself, be sufficient to rebut the presumption.

If the relevant RoI Guarantor's COMI was found to be in another EU jurisdiction and not in Ireland, main insolvency proceedings would be opened in that jurisdiction instead.

RoI insolvency laws and other limitations could limit the enforceability of a guarantee provided by the RoI Guarantors and any security interests granted by the RoI Guarantors.

The following is a brief description of certain aspects of RoI insolvency laws relating to certain limitations on the Guarantees and security interests in respect of the Notes, insofar as they are provided by the RoI Guarantors.



The application of these laws could adversely affect your ability to enforce your rights under the Guarantees or the Collateral securing the Notes and limit any amounts that you may receive. The STADA Group has also analyzed the typical forms of security interests in RoI which are commonly created in RoI over a company's assets, namely fixed and floating charges.

### ***Fixed and Floating Charges***

Under RoI law, there are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an examiner appointed to the charging company can deal with floating charge assets; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (e) floating charge security is subject to certain challenges under Irish insolvency law (please see "*—Challenges to Guarantees and Security—Grant of Floating Charge—*"); and (f) floating charge security is subject to the claims of preferential creditors in a winding-up (such as certain taxes, occupational pension scheme contributions and salaries owed to employees subject to a cap per employee) and holiday pay owed to employees).

Under RoI law there is a possibility that a court could recharacterize fixed security interests purported to be created by a security document as floating charges; the description given to security interests by the parties is not determinative. Whether security interests labelled as fixed will be upheld as fixed security interests rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents. In addition, to the extent that any of the assets which are expressed to be subject to a fixed charge are not specifically identified, the court may hold that such assets are, in fact, subject to a floating charge.

### ***Preferred Creditors Under RoI Law***

Under Section 621 (Preferential Payments in a winding up) ("Section 621") of the Companies Act 2014 (as amended, the "Companies Act") in a winding-up of an RoI company certain preferential debts are required to be paid in priority to all debts other than those secured by a fixed charge. Preferential debts therefore have priority over debts secured by a floating charge. If the assets of the relevant company available for the payment of general creditors are insufficient to pay the preferential debts, they are required to be paid out of the property subject to the floating charge. Section 621 was amended by the Companies (Accounting) Act 2017 (with effect from June 9, 2017) with the effect that a charge created as a floating charge by a company will continue to rank as a floating charge on a winding-up of that company, even if that floating charge has crystallized. Under Section 440 (Preferential Payments when receiver appointed under floating charge) of the Companies Act, the holder of a floating charge, or a receiver appointed by such a holder, who takes possession of property subject to the floating charge when the company is not in the course of being wound up, is required to pay the preferential debts out of that property in priority to principal and interest secured by the floating charge. Such preferential debts would comprise, among other things, any amounts owed in respect of local rates and certain amounts owed to the RoI Revenue Commissioners for income/corporation/capital gains tax, value added tax (VAT), employee-related taxes, social security and pension scheme contributions and remuneration, salaries and wages of employees and certain contractors and the expenses of liquidation.

In addition, there is a further limited category of super-preferential creditors which take priority, not only over unsecured creditors and holders of floating security, but also over holders of fixed security. These super-preferential claims include the remuneration, costs and expenses properly incurred by any examiner of the company which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment that have been approved by the RoI courts, (see "*—Examinership*" below) and any capital gains tax payable on the disposition of an asset of the company

by a liquidator, receiver or mortgagee in possession as well as, in certain circumstances, PAYE and VAT arrears where a fixed charge over book debts is created.

Furthermore, and as referred to above (see “—*Fixed and Floating Charges*”), in the case of the application of moneys arising from the realization of secured assets that are subject to a floating charge, or in a winding-up, the costs of the liquidation and the liquidator’s fees will take priority over the claims of floating chargeholders in respect of relevant assets.

### ***Examinership***

Examinership is a court procedure available under the Companies Act to facilitate the survival of the whole or part of an RoI company the whole or any part of its undertaking through the appointment of an examiner and the formulation by the examiner of proposals for a compromise or scheme of arrangement. In circumstances where an RoI company is or is likely to be unable to pay its debts, then that company, the directors of that company, a contingent, prospective or actual creditor of that company, or shareholders of that company holding, at the date of presentation of the petition, not less than one-tenth of the paid-up voting share capital of that company are each entitled to petition the court for the appointment of an examiner to that company. Provided the company can demonstrate its survival (and all or part of its undertaking) as a going concern, and can satisfy certain tests, the ROI company may be placed under the protection of the relevant Irish court (the “Court”) for a period of time whilst its affairs are investigated by an independent examiner whose function is to see whether the company is capable of being rescued and to supervise the restructuring process.

Where the Court appoints an examiner to a company, it may, at the same or any time thereafter, make an order appointing the examiner to be examiner for the purposes of the Companies Act to a related company of such company. Once confirmed by the Court the scheme is binding on the company and all its members and creditors. During the protection period the day-to-day business of the company remains under the control of the directors of the company, subject to certain rights of the examiner to apply to the Court.

Once appointed an examiner must, as soon as practical, formulate proposals for a compromise or scheme of arrangement in relation to the company to which he has been appointed. Typically, a scheme of arrangement will involve the writing down of creditors’ claims (both secured and unsecured, contingent and actual) that are in existence at the date of the petition and the introduction into the company of new funds. The examiner has the power to set aside contracts and arrangements entered into by the company after this appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to this appointment. Furthermore, the examiner may sell assets of the company which are the subject of security. Where such assets are the subject of a fixed security interest, the examiner must account to the holders of the fixed security interest for the amount realized and discharge the amount due to the holders of the fixed security interest out of the proceeds of the sale. Having formulated his proposals, he must convene meetings of such classes of members and creditors as he thinks proper to consider acceptance of his proposals. The examiner must report to the Court on the outcome of his meetings within 35 days of his appointment, although the 35 day period can be extended by the Court. There is acceptance by creditors or by a class of creditors when a majority in number representing a majority in value of the claims represented at the meeting vote in favor of the proposals. The proposals must be confirmed by the Court if they are to become effective and the Court can confirm the proposals only if, *inter alia*: (a) at least one class of creditors whose interests or claims would be impaired by implementation of the proposals have accepted them; (b) the Court is satisfied that the proposals are fair and equitable in relation to any class of members or creditors that has not accepted them and whose interests and claims would be impaired by implementation; and (c) they are not unfairly prejudicial to the interests of any interested party.

Once confirmed by the Court, the proposals become binding on the company and all creditors (whether secured or unsecured) or the class or classes of creditors (whether secured or unsecured), as the case may be, affected by the proposals and their rights are accordingly modified.

For as long as a company is under the protection of the Court, no attachment, sequestration, distress or execution shall be put into force against the property or effects of the relevant company except with the consent of the examiner. Section 520 (Effect of petition to appoint examiner on creditors and others) of the Companies Act provides, among other things, that except with the consent of the examiner:

- where any claim against the company is secured by a mortgage, charge, lien or other encumbrance or a pledge of, on or affecting the whole or any part of the property, effects or income of the ROI company, no action may be taken to realize the whole or any part of such security;

- no receiver over any part of the property or undertaking of the ROI company shall be appointed (and if a receiver was appointed before the petition was presented, that receiver was unable to act); and
- no proceedings for the winding up of the company may be commenced and no resolution for winding up of the company may be passed (and no such resolution passed shall have any effect).

In addition, pursuant to Section 521 (Restriction on payment of pre-petition debts) of the Companies Act, no payment may be made by a company during the period of Court protection by way of satisfaction or discharge of the whole or a part of a liability incurred by the company before the date upon which the petition for the examiner's appointment was presented unless the independent expert's report under Section 511 (Independent expert's report) of the Companies Act that accompanied the petition recommended that all or part of that liability be discharged or satisfied, or such payment is authorized by the Relevant Irish court (on application of the examiner or any interested party) where the Relevant Irish court is satisfied that a failure to discharge or satisfy in whole or in part that liability would considerably reduce the prospects of the company or the whole or any part of its undertaking surviving as a going concern.

Where an examinership petition is presented in relation to a company, that company is deemed to be under the protection of the Court during the period beginning on presentation of the petition and ending 70 days later (which period may be extended by a further 30 days where the Court is satisfied that the examiner would not be able to present his report within 70 days, or by such further unlimited period as the Court may allow where the Court needs more time to consider the proposals contained in the examiner's final report). In the event of an appeal of the Court's decision, the protection period is likely to be further extended in order to allow the determination of the appeal.

Furthermore, the Court may order that an examiner shall have any of the powers of a liquidator appointed by the Court would have, which could include the power to apply to have transactions disclaimed if the related contract amounted to an unfair preference.

#### *Primary Risks for Holders of Notes in an Examinership*

The primary risks to the holders of the Notes, under the laws of Ireland, if an examiner were appointed to an RoI Guarantor and/or to a company related to such an RoI company and where any amounts due under the Notes were unpaid, are as follows: (a) there may be a delay in enforcing the payment obligations of an RoI Guarantor of the Notes and of any payment obligations contained in a guarantee given by any other related company subject to the examinership proceedings; (b) the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of the debt due by an RoI Guarantor to the holders of the Notes; (c) the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of any payment obligations owed to the holders of the Notes by a company related to such an RoI Guarantor; (d) the potential for the examiner to seek to set aside any negative pledge prohibiting the creation of security or the incurring of borrowings by the RoI Guarantor to enable the examiner to borrow to fund the guarantor or issuer during the protection period; and (e) in the event that a scheme of arrangement is not approved in respect of an RoI company guarantor of the Notes and the guarantor subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the guarantor and approved by the RoI High Court) will take priority over the moneys and liabilities which from time to time are or may become due, owing or payable by it to the holders of the Notes.

#### *Challenges to Guarantees and Security*

There are circumstances under RoI insolvency law in which the granting by an RoI company of security and guarantees can be challenged. In most cases this will only arise if an examiner or a liquidator is appointed to the RoI company within a specified period (as set out in more detail below) of the granting of the security or giving of the guarantee and, in addition, the company was "unable to pay its debts" when the security interest was granted or when the guarantee was given or "unable to pay its debts" within the meaning of the Companies Act as a result.

The following potential grounds for challenge may apply to security interests and guarantees:

#### *Unfair Preference*

Under Irish insolvency law, if an ROI company goes into liquidation, a liquidator may apply to the court to have certain transactions disclaimed if the related contract amounted to an unfair preference. Section 604

(Unfair preference: effect of winding up on antecedent and other transactions) of the Companies Act (“Section 604”) provides that any conveyance, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against a company which is unable to pay its debts as they become due in favor of any creditor of the company or any person on trust for any such creditor, with a view to giving such creditor (or any surety or guarantor of the debt due to such creditor) a preference over the company’s other creditors, shall be deemed to be an unfair preference of its creditors and be invalid accordingly if a winding up of the company commences within six months of the doing of the act and the company is, at the date of commencement of the winding up, unable to pay its debts (taking into account contingent and prospective liabilities).

#### *Improperly Transferred Assets*

Under Section 608 (Power of the court to order return of assets which have been improperly transferred) of the Companies Act (“Section 608”), if it can be shown on the application of a liquidator, creditor or contributory of a company which is being wound up, to the satisfaction of the High Court, that any property of that company was disposed of (including a disposal by way of charge, security assignment or mortgage) and the effect of such a disposal was to “perpetrate a fraud” on the company, its creditors or members, the High Court may, if it deems it just and equitable to do so, order any person who appears to have “use, control or possession” of the property concerned, or of the proceeds of the sale or development of that property, to deliver it or them, or to pay a sum in respect of it to the liquidator on such terms as the High Court sees fit. The ability to use Section 608 to challenge the transfer of assets has been extended to receivers and examiners. Section 608 does not apply to a disposal that would constitute an unfair preference for the purposes of Section 604.

#### *Disclaimer of Onerous Contracts*

Under Section 615 (Disclaimer of onerous property in case of company being wound up) of the Companies Act, the liquidator of a company may, by the giving of notice, disclaim any onerous property of the company. “Onerous property” is defined to include any “unprofitable contract” and “any other property (of the company) which is unsaleable or not readily saleable by reason of its binding the possessor of it to the performance of any onerous act or to the payment of any sum of money.”

#### *Grant of Floating Charge*

Under Section 597 (Circumstances in which floating charge is invalid) of the Companies Act, a floating charge is invalid if created in the period of twelve months (or two years if created in favor of a “connected person”) ending with the date of commencement of the winding up of the company, and unless it can be proven that the company was solvent immediately after the creation of the charge. Such invalidity does not apply to money actually advanced or paid or the actual price or value of goods or services sold or supplied to the company at the time or after the creation of, and in consideration for, the charge together with interest at the appropriate rate.

#### *General*

If an RoI Guarantor becomes subject to an RoI law insolvency proceeding and that company has obligations to creditors that are treated under RoI law as senior relative to the company’s obligations to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceeding.

The validity and enforceability of a guarantee or security interest may be contested on the basis that it is prohibited under the relevant company’s constitution. To the extent that the constitution does not allow such an action, there is the risk that the grant of the guarantees may be found to be void and unenforceable. Further, guarantees by the Irish guarantors for the obligations of another group company must be in the commercial interest and for the corporate benefit of the Irish guarantors. If the giving of a guarantee is not for the Irish guarantors’ corporate benefit, the guarantees could be held null and void. The question of corporate benefit is determined on a case-by-case basis and consideration has to be given to any direct and/or indirect benefit that the company would actually derive from the transaction and is particularly relevant for upstream or cross-stream guarantees. The question whether or not the corporate benefit requirement is met is a matter of fact, which must be assessed by the competent body of the company being the board of directors of the company acting bona fide in the interest of the company. If the corporate benefit requirement is not met, the directors of the company may be held liable by the



company for negligence in the management of the company. Moreover, the guarantees could be declared null and void. The validity and/or enforceability of the guarantees may also be subject to the statutes of limitations, defences such as set-off or counterclaim, the doctrine of frustration and the doctrine of estoppel, and the fact that equitable remedies will only be granted by the Irish court in its discretion.

Subject to certain exceptions, under Section 82 (Financial assistance for acquisition of shares) of the Companies Act (“Section 82”), it is unlawful for a RoI company to give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person or for any shares in the company or its holding company. As a result, the notes may only be guaranteed by the relevant ROI company to the extent that it would not result in such guarantee constituting the giving of unlawful financial assistance under Section 82.

Pursuant to Section 1001 of the RoI Taxes Consolidation Act 1997, the holder of a fixed security over book debts of an RoI tax-resident company may be required by notice from the RoI Revenue Commissioners to pay to them sums equivalent to those which the holder thereafter receives in payment of debts due to it by the relevant company. Where the holder of the security has informed the RoI Revenue Commissioners of the creation of the security within 21 days of its creation, the holder’s liability is limited to the amount of certain outstanding RoI tax liabilities of the company (including liabilities in respect of value added tax) arising after the issue to the holder of a notice from the RoI Revenue Commissioners.

The RoI Revenue Commissioners may also attach any debt due to an RoI tax-resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. It is possible that the scope of this right of the RoI Revenue Commissioners may override the rights of holders of security (whether fixed or floating) over the debt in question.

## **Northern Ireland**

### ***Insolvency***

One of the Guarantors is incorporated under the laws of Northern Ireland (the “NI Guarantor”). Accordingly, insolvency proceedings in respect of the NI Guarantor are likely to be governed by the laws of Northern Ireland. Insolvency laws in Northern Ireland may not be as favorable to your interests as the laws of the United States and other jurisdictions with which you are familiar. Where the NI Guarantor experiences financial difficulties, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Northern Irish insolvency laws and other limitations could limit the enforceability of a guarantee provided by the NI Guarantor and any security interests granted by the NI Guarantor.

The following is a brief description of certain aspects of Northern Irish insolvency laws relating to certain limitations on the Notes Guarantees and security interests in respect of the Notes, insofar as they are provided by the NI Guarantor.

The application of these laws could adversely affect your ability to enforce your rights under the Notes Guarantees or the Collateral securing the Notes and limit any amounts that you may receive. The Group has also analyzed the typical forms of security interests in Northern Ireland which are commonly created in Northern Ireland over a company’s assets, namely fixed and floating charges.

### ***General***

The laws relating to insolvency and the validity/enforceability of guarantees and security are broadly the same as those in England and Wales but substantially different from those equivalent laws in Northern Ireland.

As a general rule, insolvency proceedings with respect to a Northern Irish company should be commenced in Northern Ireland based on Northern Irish insolvency laws; although insolvency proceedings in respect of Northern Irish companies could also be based in other jurisdictions under certain circumstances. Formal insolvency proceedings under the laws of Northern Ireland may be initiated in a number of ways, including by (i) the company, its directors, or one or more of its creditors making an application for administration, (ii) the company, its directors, or certain creditors appointing administrators out of court, or (iii) a creditor filing a petition to wind-up a Northern Irish company or the company resolving to wind itself up (in the case of liquidation).



A Northern Irish company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Under the Insolvency (Northern Ireland) Order 1989 (as amended), a company is deemed to be unable to pay its debts if it is insolvent on a “cash flow” basis (it is proved to the satisfaction of the court that it is unable to pay its debts as they fall due), if it is insolvent on a “balance sheet” basis (it is proved to the satisfaction of the court that the value of the company’s assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), if it fails to satisfy a creditor’s statutory demand for a debt exceeding £750 within the specified time or if it fails to satisfy in full a judgment debt (or similar court order).

### ***Fixed Versus Floating Charges***

There are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an administrator appointed to a charging company can (without the floating charge holder’s consent) convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the business of the charging company) while in administration in priority to the claims of the floating charge holder; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets; (c) general costs and expenses (including the remuneration of a liquidator) properly incurred in a winding-up are payable out of the assets of the charging company (including the assets the subject of the floating charge) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (e) there are particular challenge risks in relation to floating charge security; and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries (including holiday pay) owed to employees) and to ring-fencing (see below “—Northern Ireland—Administration and Floating Charges”).

Under insolvency laws in Northern Ireland, there is a possibility that a court could find that the fixed security interests expressed to be created by a security document could take effect as floating charges because the description given to them as fixed charges is not determinative. Whether fixed security interests will be upheld as fixed rather than floating security interests will depend, among other things, on whether the chargee has the requisite degree of control over the ability of the relevant chargor to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

### ***Administration and Floating Charges***

The Insolvency (Northern Ireland) Order 1989 (as amended by the Insolvency (Northern Ireland) Order 2005 and as otherwise amended) empowers courts in Northern Ireland to make an administration order in respect of a Northern Irish company in certain circumstances.

An administration order can be made if the court is satisfied that the relevant company is or is likely to become “unable to pay its debts” as defined in Article 103 of the Insolvency (Northern Ireland) Order 1989 and that the administration order is reasonably likely to achieve the statutory purpose of administration.

An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge which has become enforceable. During the administration, no proceedings or other legal process may be commenced or continued against the company in administration, or security enforced over the company’s property, except with leave of the court or the consent of the administrator (the statutory moratorium). Certain creditors of a company in administration may be able to realize their security over that company’s property notwithstanding the statutory moratorium.

In England and Wales the statutory moratorium does not apply to security interests created or arising under a “financial collateral agreement” (generally, security/collateral in respect of cash or financial

instruments, such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (the “2003 Regulations”).

The 2003 Regulations were implemented at a time when the Enterprise Act 2002 was in force in England and Wales; however the equivalent provisions in Northern Ireland were not introduced until the Insolvency (Northern Ireland) Order 2005 (the “2005 Order”) came into force. The 2005 Order introduced Schedule B1 to the Insolvency (Northern Ireland) Order 1989 and replaced Part III of the Insolvency (Northern Ireland) Order 1989 which the 2003 Regulations had amended as far as financial collateral arrangements were concerned. Following this, the Financial Markets and Insolvency (Settlement Finality and Financial Collateral Arrangements) (Amendment) Regulations 2010 (the “2010 Regulations”) reflected the changes brought about to the administration regime in Northern Ireland, as a consequence of the implementation of the 2005 Order.

However, there appears to be one omission, which is the failure of the 2010 Regulations to disable the effect of Paragraph 42(2) of Schedule B1 to the Insolvency (Northern Ireland) Order 1989, in relation to a receiver appointed pursuant to a financial collateral arrangement.

Therefore, if a Northern Irish company were to enter administration, it is possible that the security or the guarantee granted by it may not be enforced while it is in administration, without the leave of court or consent of the administrator. In addition, as stated above, Paragraph 42(2) of Schedule B1 to the Insolvency (Northern Ireland) Order 1989 has not been disapplied by the 2003 Regulations or the 2010 Regulations. Accordingly, there is a risk that any receiver appointed over an asset of a Northern Irish company under a financial collateral arrangement may be required to vacate office by an administrator of that entity if an administrator was appointed pursuant to the laws of Northern Ireland.

There can be no assurance that the Security Agent would obtain this leave of court or consent of the administrator. In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already appointed receiver must resign if requested to do so by the administrator. Where the company is already in administration no other receiver may be appointed over that company’s fixed assets (commonly referred to as a fixed charge receiver) without the leave of a court of a competent jurisdiction in Northern Ireland (the “Northern Irish Court”) or the administrator’s consent.

In order to empower the Security Agent to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant Northern Irish obligor must constitute a “qualifying floating charge” for the purposes of Northern Irish insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre-dates March 27, 2006, fall within one of the exceptions in the Insolvency (Northern Ireland) Order 1989 (as amended) to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it, (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Article 5(1) of the Insolvency (Northern Ireland) Order 1989 (as amended). The Security Agent will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with the fixed charge security interests, relate to the whole or substantially the whole of the relevant Northern Irish obligor’s property and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to “capital market arrangements” (as defined in the Insolvency (Northern Ireland) Order 1989, as amended), which will apply if a Northern Irish obligor creates a debt of at least £50,000,000 for the relevant company during the life of the arrangement and the arrangement involves the issue of a “capital markets investment” (which is defined in the Insolvency (Northern Ireland) Order 1989, as amended, but is generally a rated, listed or traded debt instrument). An administrator, receiver or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security (after making full provision for preferential creditors and expenses (floating charge realizations)) for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant Northern Irish obligor’s assets at the time that the floating charges are enforced will be a question of fact at that time.

### *Liquidation*

The NI Guarantor may be wound up under the laws of Northern Ireland. This means that the NI Guarantor would be placed into either Creditors' Voluntary Liquidation or Compulsory Liquidation, both of which are insolvent liquidations. The NI Guarantor is not referring to the process of Members' Voluntary Liquidation which is a solvent winding up and outside the scope of this analysis.

On the liquidation of a Northern Irish company, there is no automatic statutory moratorium in place preventing, amongst other things, the holders of security interests from taking steps to enforce those security interests. Where the NI Guarantor is placed into Creditors' Voluntary Liquidation, there are no restrictions on the holder of security either by way of fixed or floating charge from taking steps to enforce those security interests unless the liquidator or any creditor has applied to a court for a stay. However, where the NI Guarantor is placed into Compulsory Liquidation, the consent of a Northern Irish Court is strictly required before any security interest can be enforced. In addition, with compulsory liquidation where the obligations under the Notes Guarantees are unsecured because of some inherent defect in the security interest, that guarantor cannot take action or commence proceedings to recover the amounts due on foot of the guarantee without the consent of a Northern Irish Court by virtue of Article 110(3) of the Insolvency (Northern Ireland) Order 1989 (as amended).

### *Challenges to Guarantees and Security*

There are circumstances under Northern Irish insolvency law in which the granting by a Northern Irish company of security and guarantees can be challenged. In most cases, this will only arise if the Northern Irish company is placed into administration or liquidation within a specified period of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to a Northern Irish company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company.

The following potential grounds for challenge may apply under Northern Irish law to guarantees and security interests:

#### *Transaction at an Undervalue*

Under Northern Irish insolvency law, a liquidator or administrator of a Northern Irish company could apply to a Northern Irish Court for an Order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a gift or transfer for no or significantly less consideration. There will only be a transaction at an undervalue if, at the time of the transaction or as a result of the transaction, the Northern Irish company was or becomes unable to pay its debts (as defined in Article 103 of the Insolvency (Northern Ireland) Order 1989). The transaction is subject to potential challenge if the Northern Irish company enters into liquidation or administration proceedings within a period of two years from the date the Northern Irish company grants the security interest or guarantee. However, a Northern Irish Court generally will not intervene if a company entered into the transaction in good faith for the purpose of carrying on its business and if at the time it did so there were reasonable grounds for believing the transaction would benefit the company. The Issuers cannot assure holders of the Notes that in the event of insolvency, the granting of the security by the NI Guarantor would not be challenged by a liquidator or administrator or that a court would support the analysis that (in any event) the guarantee was entered into in good faith for the purposes described above. If a Northern Irish Court determines that the transaction was a transaction at an undervalue, a Northern Irish Court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the Northern Irish company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the Insolvency (Northern Ireland) Order 1989, as amended), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the Northern Irish company in such proceedings.

#### *Preference*

Under Northern Irish insolvency law, a liquidator or administrator of a Northern Irish company could apply to a Northern Irish Court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or such guarantee constituted a preference. There will only be a preference if, at the time the transaction was entered into, the Northern Irish company was unable to pay its debts (as defined in the Insolvency (Northern Ireland)

Order 1989, as amended) or the Northern Irish company becomes unable to pay its debts (as defined in the Insolvency (Northern Ireland) Order 1989, as amended) as a consequence of its entry into the transaction. The transaction can be challenged if the Northern Irish company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the Northern Irish company takes the decision to grant the security interest or the guarantee.

A transaction will constitute a preference if it has the effect of putting a creditor of the Northern Irish company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If a Northern Irish Court determines that the transaction constituted such a preference, a Northern Irish Court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could, in this case, include reducing payments under the Notes and the Notes Guarantees (although there is protection for a third-party who enters into one of the transactions in good faith and without notice). However, for a Northern Irish Court to do so, it must be shown that in deciding to give the preference the Northern Irish company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator to demonstrate that the Northern Irish company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

#### *Transaction Defrauding Creditors*

Under Northern Irish insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. An application to a Northern Irish Court for an order to set aside the transaction may be made by an administrator, a liquidator and, subject to certain conditions, the UK Financial Conduct Authority and the UK Pensions Regulator. In addition, any person who is, or who is capable of being, prejudiced by the transaction may (with the leave of a Northern Irish Court in the case of a company in administration or liquidation) also bring an application to set aside such transaction. There is no time limit in the Northern Irish insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If a Northern Irish Court determines that the transaction was a transaction defrauding creditors, a Northern Irish Court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a third-party in good faith, for value and without notice of the relevant circumstances and will not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances, to pay any sum unless such person was a party to the transaction.

#### *Avoidance of Floating Charge*

Under Northern Irish insolvency law, if a Northern Irish company is unable to pay its debts at the time of (or as a result of) granting a floating charge, and the floating charge was granted within the specified period referred to below, then such floating charge can be avoided except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant Northern Irish company at the same time as or after the creation of the floating charge.

The requirement for the Northern Irish company to be insolvent at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person, and the floating charge was granted within the specified period referred to below, then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant Northern Irish company at the same time as or after the creation of the floating charge, whether the relevant Northern Irish company is solvent or insolvent.

The granting of the floating charge can be challenged only if the relevant Northern Irish company enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant Northern Irish company grants the floating charge. However, if the floating charge qualifies as a “security financial collateral agreement” under the 2003 Regulations, the floating charge will not be subject to challenge as described in this paragraph.



## NOTICE TO INVESTORS

*You are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of any of the Notes and/or the Guarantees offered hereby.*

The Notes and the Guarantees (together, the “Securities”) have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons unless the Securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act and the securities laws of any applicable jurisdiction is available. Accordingly, the Securities are being offered and sold only (i) to qualified institutional buyers (as defined in Rule 144A, “QIBs”) in reliance on Rule 144A and (ii) outside the United States to non-U.S. persons in an offshore transaction (in each case, as defined in Regulation S) in reliance on Regulation S.

We have not registered and will not register the Securities under the Securities Act and, therefore, the Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the Securities to the Initial Purchasers for re-offer and resale only:

- in the United States to QIBs in compliance with Rule 144A; and
- outside the United States to non-U.S. persons in an offshore transaction in accordance with Regulation S.

We use the terms “U.S. person,” “offshore transaction” and “United States” with the meanings given to them in Regulation S.

Each purchaser of the Securities hereunder (other than each of the Initial Purchasers) will be deemed to have acknowledged, represented, warranted and agreed with us and the Initial Purchasers as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

- (1) it understands and acknowledges that (i) the Securities have not been registered under the Securities Act or any other applicable securities laws and that the Securities are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act and (ii) the Securities may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws or pursuant to an exemption therefrom and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below;
- (2) it is either (a) a QIB and is aware that any sale of these Securities to it will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for its own account or for the account of another QIB, or (b) it is a non-U.S. person and it is purchasing the Securities outside the United States in an offshore transaction in accordance with Regulation S;
- (3) it acknowledges that none of the Issuers, the Group, the Target Group, the Initial Purchasers, or any person representing any of the foregoing, has made any representation to it with respect to us or the offer or sale of any Securities, other than the information contained in or incorporated by reference in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Securities. It has had access to such financial and other information concerning us and the Securities as it has deemed necessary in connection with its decision to purchase any of the Securities, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum or the information incorporated by reference herein;
- (4) it is purchasing the Securities for its own account, or for an account with respect to which it exercises sole investment discretion and for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state or other securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Securities to a QIB pursuant to Rule 144A or to non-U.S. persons in offshore transactions pursuant to Regulation S;

- (5) it understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Securities, and each subsequent holder of the Securities by its acceptance thereof will be deemed to agree, that if in the future it decides to resell, pledge or otherwise transfer any Securities or any beneficial interests in any Securities, it will do so prior to the date which is, in the case of Securities offered to QIBs, one year after the later of the original issue date of such Securities, the original issue date of the issuance of any additional securities and the last date on which the issuer or any affiliate of the issuer was the owner of such Security (or any predecessor of such Security) and, in the case of Securities offered to non-U.S. persons in accordance with Regulation S, 40 days after the later of the original issue date of such Security and the date on which such Security (or any predecessor of such Security) was first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S only (a) to the Issuers, the Guarantors or any subsidiary thereof, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as such Security is eligible for resale pursuant to Rule 144A under the Securities Act, to a person it reasonably believes is a “qualified institutional buyer” as defined in Rule 144A under the Securities Act that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (d) pursuant to offers and sales to non-U.S. persons that occur outside the United States in offshore transactions in compliance with Regulation S under the Securities Act or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the issuer’s right prior to any such offer, sale or transfer pursuant to clause (e) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to it, including a certificate of transfer in the form appearing on the reverse of such Security.
- (6) it understands that the Securities will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER OF THIS SECURITY (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) (“QIB”) OR (B) IT IS A NON U.S. PERSON ACQUIRING THIS SECURITY OUTSIDE THE UNITED STATES IN AN “OFFSHORE TRANSACTION” (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY OR A BENEFICIAL INTEREST IN THIS SECURITY, PRIOR TO THE DATE WHICH IS [IN THE CASE OF SECURITIES SOLD TO QIBs: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF SUCH SECURITIES, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL SECURITIES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY),] [IN THE CASE OF SECURITIES SOLD TO NON-U.S. PERSONS IN ACCORDANCE WITH REGULATION S: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS SECURITY AND THE DATE ON WHICH SUCH SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S] ONLY (A) TO THE ISSUERS, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING

MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT, INCLUDING A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS SECURITY; AND (3) AGREES THAT IT WILL TRANSFER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Securities, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Securities as well as to holders of these Securities;

- (7) it agrees that it will give to each person to whom it transfers the Securities notice of any restrictions on the transfer of such Securities;
- (8) it acknowledges that the Registrar will not be required to accept for registration or transfer any Securities acquired by it except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with;
- (9) it acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations, warranties and agreements on behalf of each such investor account; and
- (10) it understands that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Securities or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Securities in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set forth under "*Notice to U.S. Investors*," "*Notice to Investors*" and "*Plan of Distribution*."

## PLAN OF DISTRIBUTION

The Senior Secured Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Secured Notes Issuer, the entire principal amount of the Senior Secured Notes. In addition, the Senior Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Notes Issuer, the entire principal amount of the Senior Notes. Each of the sales will be made pursuant to a purchase agreement among the Senior Secured Notes Issuer, the Senior Notes Issuer and the Initial Purchasers to be dated the date of the final offering memorandum (together the “Purchase Agreement”).

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Senior Secured Notes and the Senior Notes from the Senior Secured Notes Issuer and the Senior Notes Issuer, respectively, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Senior Secured Notes if they purchase any of them and will purchase all the Senior Notes if they purchase any of them.

The Initial Purchasers initially propose to offer the Notes for resale at the respective issue prices that appear on the cover of this offering memorandum. After the initial Offering, the Initial Purchasers may change the prices at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. To the extent that any Initial Purchaser that is not a U.S. registered broker dealer intends to effect any sales of Notes in the United States, it will do so through one or more U.S. registered broker dealer affiliates as permitted by guidelines promulgated by the Financial Industry Regulatory Authority. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Issuers have agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out-of-pocket expenses.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Senior Secured Notes and the Senior Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the Offering may be terminated.

Certain of the Sponsors or their affiliates have placed a purchase order for and been allocated Senior Secured Notes and Senior Notes at a purchase price per Note equal to the issue prices set forth on the cover page of this offering memorandum, subject to a pass through of the Initial Purchasers’ discount in respect of the Notes purchased by such persons.

The Purchase Agreement provides that the Issuers, German Holdco and each Post-Control Date Guarantor (as of the date of its accession to the Purchase Agreement) will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the purchase agreement, any debt securities of, or guaranteed by, the Issuers, German Holdco and (as of the Control Date) the Post-Control Date Guarantors or any of their subsidiaries that are substantially similar to the Notes during the period from the date of the purchase agreement through and including the date falling 45 days after the closing of the Offerings without the prior written consent of Citigroup Global Markets Limited and J.P. Morgan Securities plc.

The Notes and the Notes Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this offering and (ii) the Issue Date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act. Terms used in

this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under “*Important Information About This Offering Memorandum*” and “*Notice to Investors*.”

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers or any Guarantor; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See “*Notice to Investors*.”

The Senior Secured Notes Issuer and the Senior Notes Issuer have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuers have applied, through their listing sponsor, for the listing of and permission to deal in the Notes on the Official List of the Exchange, however, the Issuers cannot assure you that such listing will be obtained or, if obtained, maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See “*Risk Factors—Risks Relating to Each Series of Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.*”

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be five Business Days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as “T + 5”). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two Business Days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next two succeeding Business Days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit the Initial Purchasers to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open



market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the offering, the Stabilizing Managers, or a person acting on their behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Managers may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Managers may also over-allot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Managers may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Managers are not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See *“Risk Factors—Risks Relating to Each Series of Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.”*

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business, for which they have received or may receive customary fees and commissions. The Initial Purchasers or their affiliates may also receive allocations of the Notes. In addition, Citigroup Global Markets Limited, J.P. Morgan Securities plc, Barclays Bank PLC, Commerzbank AG, Deutsche Bank AG, London Branch, ING Bank, a branch of ING-DiBA AG, Jefferies International Limited, Nomura International plc, Société Générale and UBS AG, London Branch or their respective affiliates are mandated lead arrangers and lenders under our Senior Secured Credit Facilities and the Bridge Facilities that we have entered into as borrowers and drawn to provide financing for the Acquisition. Barclays Bank plc is acting as agent under the Senior Secured Credit Facilities and Bridge Facilities. A portion of the proceeds from the offering of the Senior Secured Notes and the proceeds from the offering of the Senior Notes will be used to refinance the Bridge Facilities. See *“Use of Proceeds.”* The Initial Purchasers and their respective affiliates may act as counterparties in the hedging arrangements we expect to enter into in connection with the Transactions, and will receive customary fees for their services in such capacities. In addition, certain of the Initial Purchasers advised the Sponsors on the Acquisition and provided a cash confirmation of funding in respect of the Takeover Offer, and were paid fees in connection with such services. Société Générale (or one of its affiliates) provides lending services to the Target under various local facilities.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of ours or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

### Germany

The Issuers and certain of the Guarantors are incorporated under the laws of Germany. Our directors and executive officers live outside the United States. Virtually all of our assets and the assets of our directors and executive officers are located outside the United States. As a result, although we have appointed an agent for service of process under the Indentures governing the Notes, it may be difficult for you to serve process on those persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States.

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on the state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- the judgment being final under U.S. law;
- the U.S. court having had jurisdiction over the original proceeding under German law;
- the defendant having had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgment of the U.S. court being consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the U.S. court;
- the judgment of the U.S. court being consistent with the procedure of a matter pending before a German court, provided that such matter was pending before a German court before the U.S. court entered its judgment;
- the enforcement of the judgment by the U.S. court being compatible with German public policy, including the fundamental principles of German law, and in particular the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

German courts usually deny the recognition and enforcement of punitive damages. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In as far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No equivalent pre-trial discovery process exists under German law.

There is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and the Federal Republic of Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. The enforceability of final judgments therefore may depend on the laws of the relevant U.S. state and federal laws of the United States. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicated solely upon

U.S. federal or state securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below.

German courts will, in particular, not recognize and enforce such judgments if the judgment is not final under applicable U.S. federal or state law or if any of the reasons for excluding enforceability set forth in section 328(1) of the German Code of Civil Procedure exist:

- if, pursuant to German law, the U.S. federal or state court having rendered the foreign judgment did not have jurisdiction;
- if process has not been duly served or has not been served in a timely fashion to permit a defense, provided that the defendant did not actively participate in such process and pleads accordingly;
- if the judgment is incompatible with a prior judgment rendered by a German court or by a foreign court which is to be recognized in Germany;
- if the judgment, or the proceeding resulting in the judgment, to be recognized is incompatible with a proceeding in Germany which was pending (*rechtshängig*) before a German court before the U.S. federal or state court entered its judgment;
- if a recognition of the judgment would be obviously incompatible with fundamental principles of German law, in particular, if the recognition would be incompatible with the civil rights (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- if reciprocity is not ensured (i.e., the U.S. federal or state courts would not recognize and enforce a comparable judgment by a German court in equivalent circumstances).

Subject to the foregoing, holders of the Notes may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Germany. There is some German case law to the effect that reciprocity of the recognition of judgments is ensured in relation to claims relating to assets (*vermögensrechtliche Ansprüche*) with regard to various U.S. states. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful. It is also doubtful whether a German court would accept jurisdiction and impose civil liability in an original action solely predicated by U.S. federal securities laws.

In addition, the recognition and enforcement of punitive damages are usually denied by German courts as incompatible with the fundamental principles of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Consequently, judgments awarding monetary damages under civil liabilities provisions of the U.S. federal securities laws may not be enforceable to the extent they provide for a compensation that would qualify as being of a penal or punitive nature.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In so far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provided for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and/or the deposition of witnesses. Evidence obtained in this matter may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

In addition, it may also not be possible for investors to effect service of process within Germany upon the German Notes Guarantors or those persons under the Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 and the German law implementing such convention if such service were deemed to infringe German sovereignty or security, which may be the case if such service violated the fundamental principles of German law, in particular the civil rights (*Grundrechte*) guaranteed by virtue of the German Constitution.

## **England and Wales**

The United States and England and Wales currently do not have a treaty between them providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and

commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England and Wales. In order to enforce any such U.S. judgment in England and Wales, fresh proceedings must first be initiated before a court of competent jurisdiction in England and Wales. In such an action, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Summary judgment is a procedure by which the English court can dispose of all or part of a claim without proceeding to a full trial. Recognition and enforcement of a U.S. judgment by an English court in such an action may be conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law (in other words, it does not matter that the U.S. court had jurisdiction according to its own law, but instead whether it had jurisdiction according to the rules of English private international law);
- the U.S. judgment not having been given in breach of a jurisdiction or arbitration clause;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment not contravening English public policy, the European Convention on Human Rights or the Human Rights Act 1998 (or any subordinate legislation made thereunder, to the extent applicable);
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise involving the enforcement of a non-English penal or revenue law;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent, determinative or conflicting judgment of an English or other non-U.S. court in respect of the same matter involving the same parties and/or prior inconsistent judgment given in a Hague Convention member state of the European Union or a Member State which the English Court must recognize and enforce under the Hague Convention Choice of Court Agreements of June 30, 2005 and/or Council Regulation (EC) 1215/2012 and/or the Lugano Conventions of 1988 and 2007;
- the U.S. judgment not having been wholly satisfied or not being enforceable by execution in the U.S.;
- the party seeking enforcement providing security for costs, if ordered to do so by the English court; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce judgments in England and Wales in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England and Wales. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if proceedings were commenced in England and Wales, instead of the United States, in an original action predicated solely upon U.S. federal securities laws. Further, it may not be possible to obtain a judgment in England and Wales or to enforce the judgment if the judgment debtor is subject to any insolvency or similar proceedings, or if the judgment debtor has any setoff or counterclaim against the judgment creditor. Finally, note that, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England and Wales unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

## Spain

Although the Notes will not be guaranteed by any guarantors incorporated in Spain due to applicable financial assistance rules, certain of STADA's subsidiaries in Spain guarantee the Senior Secured Credit Facilities up to the amount drawn under the Senior Secured Credit Facilities that is applied toward the repayment of the Existing Debt (each, a "Spanish Guarantor"). Pursuant to the Intercreditor Agreement, any proceeds from the Spanish guarantees received by the lenders under the Senior Secured Credit Facilities Agreement will be shared with the lenders in respect of certain hedging obligations and holders of the Senior Secured Notes on a *pari passu* basis and, to the extent that such obligations have been discharged in full, the holders of the Senior Notes on a subordinated basis. As a result, the description of Spanish law set forth below discusses the service of process on, and enforcement of civil liabilities against, the Spanish Guarantors of the Senior Secured Credit Facilities, because such guarantees may indirectly benefit the holders of the Notes.

A final judgment obtained against the Issuers or any of the Guarantors outside of Spain (and, in particular, in the United States), other than in a country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council, would be recognized and enforced by the courts of Spain (unless such judgment contravenes principles of Spanish public policy) pursuant to the following regimes:

- according to the provisions of any applicable treaty (there being none currently in existence between Spain and the United States for these purposes);
- in the absence of any such treaty, if it could be proven that the jurisdiction in which the foreign judgment was rendered recognizes Spanish judgments on a reciprocal basis (positive reciprocity) and provided that certain minimum conditions are met (among others, that the matter is not exclusively subject to Spanish jurisdiction, does not infringe public policy and does not contradict a previous Spanish judgment). If it could be proven (usually by the defendant) that the U.S. jurisdiction in which the judgment was obtained does not recognize judgments issued by Spanish courts, then the Spanish courts would not recognize the U.S. judgment in Spain (negative reciprocity); and
- in the absence of any such treaty and where reciprocity has not been evidenced (and, according to certain court precedents, even if positive reciprocity has been evidenced), the judgment would be enforced in Spain if it satisfies all of the following requirements in compliance with and subject to Article 523 of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero de Enjuiciamiento Civil*) and subject to Law 29/2015, of July 30, on International Legal Cooperation in Civil Matters (*Ley 29/2015, de 30 de julio, de Cooperación Jurídica Internacional en materia civil*) (the "Law on International Legal Cooperation in Civil Matters") which repeals Articles 951 to 958 of the former Spanish Civil Procedure Act of 1881 (*Real Decreto de Promulgación de 3 de febrero de 1881 de Enjuiciamiento Civil*):
  - (i) such U.S. judgment is final and conclusive (*firme*);
  - (ii) the judgment is rendered as a result of an action in personam as opposed to an action in rem;
  - (iii) the judgment is not contrary to Spanish public policy and the obligation to be fulfilled is legal in Spain;
  - (iv) the documentation prepared for the purposes of requesting the enforcement meets all the legal requirements under the law of the jurisdiction in which the judgment was rendered in order to be considered an authentic judgment and it also meets all requirements under the laws of Spain to be admitted (the judgment is final, and a literal, authentic, sworn Spanish translation and apostilled copy is provided);
  - (v) there is not a pending proceeding between the same parties and in relation to the same issues in Spain;
  - (vi) there is not a judgment rendered between the same parties and for the same cause of action in Spain or in another country; provided that, the judgment has been recognized in Spain;
  - (vii) where rendering the judgment, the courts rendering it did not infringe an exclusive ground of jurisdiction provided for under Spanish law or based their jurisdiction on exorbitant grounds and the choice of court is not fraudulent; and
  - (viii) the rights of defense of the defendant were protected where rendering the judgment, including, but not limited to, a proper service of process carried out with sufficient time for the defendant to prepare its defense.



Any party wishing to have a U.S. ruling recognized or enforced in Spain must file an application seeking declaration of enforceability of the U.S. resolution (*exequatur*) with the relevant Spanish Judge of First Instance (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*).

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by each Issuer or Guarantor, but in case of enforcement in Spain, the court costs and interest will be paid in euros. Any judgment obtained against the Issuer or any of the Guarantors in any country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council would be recognized and enforced in accordance with the terms set forth thereby.

The enforcement of any judgment in Spain entails, among others, the following actions and costs: (a) translation fees for documents in a language other than Spanish, which must be accompanied by a sworn translation into Spanish; (b) certain professional fees for the verification of the legal authority of a party litigating in Spain, if needed; (c) judicial tax and fees; and (d) the procedural acts of a party litigating in Spain must be directed by an attorney at law and the party must be represented by a court agent (*procurador*). In addition, please note that Spanish civil proceedings rules cannot be amended by agreement of the parties and will therefore prevail notwithstanding any provision to the contrary in the Senior Secured Notes.

### **The Netherlands**

Certain of the Guarantors are incorporated under Dutch law (the “Dutch Guarantors”). As a result, it may be difficult for investors to enforce judgments obtained in non-Dutch courts against the Dutch Guarantors.

The Netherlands does not currently have a treaty with the United States providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any court in any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, would not automatically be recognized or enforceable in The Netherlands. In order to obtain a judgment which is enforceable in The Netherlands, the claim must be re-litigated before a competent Dutch court. Under current practice, the courts of The Netherlands may be expected to render a judgment in accordance with the judgment of the relevant U.S. court, provided that such judgment (i) is a final judgment and has been rendered by a court which has established its jurisdiction vis-à-vis the relevant Dutch Guarantor on the basis of internationally accepted grounds of jurisdiction, (ii) has not been rendered in violation of elementary principles of fair trial, (iii) is not contrary to the public policy (*openbare orde*) of The Netherlands, and (iv) is not incompatible with (a) a prior judgment of a Dutch court rendered in a dispute between the same parties, or (b) a prior judgment of a non-Dutch court rendered in a dispute between the same parties, concerning the same subject matter and based on the same cause of action, provided that such prior judgment is capable of being recognized in The Netherlands.

Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of U.S. courts in The Netherlands are solely governed by the provisions of the Dutch Civil Procedure Code (*Wetboek van Burgerlijke Rechtsvordering*).

### **Republic of Ireland**

As the United States is not a party to a convention with the Republic of Ireland in respect of the enforcement of judgments, common law rules apply in order to determine whether a judgment of the courts of the State of New York is enforceable in the Republic of Ireland. A judgment of the courts of the State of New York will be enforced by the courts of the RoI if the following general requirements are met:

- (i) the courts of the State of New York must have had jurisdiction in relation to the particular defendant according to the Republic of Ireland conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule); and
- (ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however, the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that, in the meantime, the judgment should not be actionable in the Republic of Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive.

However, the Irish courts may refuse to enforce a judgment of the courts of the State of New York which meets the above requirements for one of the following reasons:

- (i) if the judgment is not for a definite sum of money;
- (ii) if the judgment was obtained by fraud;
- (iii) the enforcement of the judgment in the Republic of Ireland would be contrary to natural or constitutional justice;
- (iv) the judgment is contrary to the Republic of Ireland public policy or involves certain United States laws which will not be enforced in the Republic of Ireland; or
- (v) jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in the Republic of Ireland or outside the Republic of Ireland under Order 11 of the Superior Courts Rules.

### **Northern Ireland**

The United States and the UK do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (although the United States and the UK are both parties to the New York Convention on Arbitral Awards). Any judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities law, would not be directly enforceable in Northern Ireland. In order to enforce such a monetary judgment in Northern Ireland, under common law rules proceedings must be initiated by way of civil law action on the judgment debt before a Northern Irish Court. Summary judgment may be applied for and in this type of action, a Northern Irish court generally will not (subject to the matters identified below) reinvestigate the merits of the original matter decided by a U.S. court if:

- the relevant U.S. court had territorial, procedural and substantive jurisdiction (under the UK rules of private international law applicable to Northern Ireland) to give the judgment; and
- the judgment is final and conclusive on the merits and is for a definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty or otherwise based on a U.S. law that a Northern Irish Court considers to be a penal, revenue or other public law).

A Northern Irish court may refuse to enforce such a judgment for reasons including if it is established that:

- the enforcement of such judgment would contravene natural justice, public policy or statute in Northern Ireland;
- the enforcement of the judgment is prohibited by statute (including, without limitation, if the amount of the judgment has been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained);
- the Northern Irish proceedings were not commenced within the relevant limitation period;
- before the date on which the U.S. court gave judgment, the issues in question had been the subject of a final judgment of a Northern Irish Court or of a court of another jurisdiction whose judgment is enforceable in Northern Ireland;
- the judgment has been obtained by fraud or in proceedings in which the principles of natural justice were breached;
- the bringing of proceedings in the relevant U.S. court was contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in that court (to whose jurisdiction the judgment debtor did not submit); or
- an order has been made and remains effective under section 9 of the UK Foreign Judgments (Reciprocal Enforcement) Act 1933, applying that section to U.S. courts, including the relevant U.S. court.

If a Northern Irish Court gives judgment for the sum payable under a U.S. judgment, the Northern Irish judgment will be enforceable by methods generally available for this purpose. In addition, it may not be possible to obtain a Northern Irish judgment or to enforce that judgment if the judgment debtor is or becomes subject to any insolvency or similar proceedings, or if the judgment debtor has any set-off or counterclaim against the judgment creditor.

## **LEGAL MATTERS**

Certain legal matters in connection with the Offerings will be passed upon for us by Kirkland & Ellis International LLP, as to matters of U.S. federal, New York State, English and German law, CMS Cameron McKenna LLP, as to certain regulatory matters of English law, Stibbe N.V., as to matters of Dutch law, and Cuatrecasas, Gonçalves Pereira, S.L.P., as to matters of Spanish law. Certain legal matters in connection with the Offerings will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of U.S. federal, New York State and English law, Latham & Watkins LLP, as to matters of German and Spanish law, and Loyens & Loeff N.V., as to matters of Dutch law.

## INDEPENDENT AUDITORS

The consolidated financial statements of the Target, STADA Arzneimittel AG, as of and for the financial years ended December 31, 2014, 2015 and 2016 included in this offering memorandum have been audited by PKF Deutschland GmbH, which is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), as stated in their reports appearing herein. The auditor's address is PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft, Jungfernstieg 7, 20354 Hamburg, Germany.

At the AGM that took place on August 30, 2017, STADA announced that PricewaterhouseCoopers GmbH, which is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), had been appointed as STADA's auditor in respect of STADA's financial statements as of and for the year ended December 31, 2017. Pricewaterhouse Coopers GmbH's address is Friedrich-Ebert-Anlage 35–37, 60327 Frankfurt am Main, Germany.

## WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

While any of the Notes remain outstanding and are “restricted securities” within the meaning of the Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Pursuant to the Indentures governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See “*Description of the Senior Secured Notes—Certain Covenants—Reports*” and “*Description of the Senior Notes—Certain Covenants—Reports*.”

Copies of the Issuers’ organizational documents, the Indentures relating to the Notes, the Intercreditor Agreement and our most recent consolidated financial statements published by us may be inspected and obtained at the office of the Paying Agent during normal business hours for a period of 14 days following the grant of listing of the Notes. See “*Listing and General Information*.” Copies of such documents will also be available from the Issuers upon written request to the address of such Issuer on and after the grant of listing of the Notes.



## LISTING AND GENERAL INFORMATION

### Admission to Trading and Listing

Application has been made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of the International Stock Exchange (the “Exchange”). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

The Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

### Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream. The common codes and international securities identification numbers (the “ISIN Number”) for the Notes are set forth below:

	<u>Common Code</u>	<u>ISIN Number</u>
<b>Senior Secured Notes:</b>		
144A Notes . . . . .	169064342	XS1690643421
Regulation S Notes . . . . .	169064466	XS1690644668
<b>Senior Notes:</b>		
144A Notes . . . . .	169064482	XS1690644825
Regulation S Notes . . . . .	169064512	XS1690645129

### Periodic Reporting Under the Exchange Act

None of the Issuers or the Target is currently subject to the periodic reporting and other information requirements of the Exchange Act.

### General Information on the Issuers

The Senior Secured Notes Issuer is a public limited liability company (*Aktiengesellschaft*) organized under the laws of Germany. As of the date of this offering memorandum, the Senior Secured Notes Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Senior Secured Notes Issuer is registered with the commercial register of the district court of Munich under the number HRB 231228. The Senior Secured Notes Issuer’s principal business address will be c/o Intertrust (Deutschland) GmbH, Grüneburgweg 58 - 62, 60322 Frankfurt am Main, Germany as of the Issue Date.

The Senior Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. The Senior Notes Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the Transactions. The Senior Notes Issuer is registered with the commercial register of the district court of Munich under the number HRB 231527. The Senior Notes Issuer’s principal business will be c/o Intertrust (Deutschland) GmbH, Grüneburgweg 58-62, 60322 Frankfurt am Main, Germany as of the Issue Date. We expect that the Senior Secured Notes Issuer will be converted into a limited liability company (*Gesellschaft mit beschränkter Haftung*) on or about the Issue Date.

### General Information on the Guarantors

The Guarantors as of the Issue Date (other than the Senior Secured Notes Issuer which will guarantee the Senior Notes on a senior subordinated basis) are listed and described below.

Nidda Healthcare GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*), incorporated under the laws of Germany and registered with the commercial register (*Handelsregister*) of the district court (*Amtsgericht*) of Frankfurt am Main under HRB 109528, with its business address at c/o Intertrust (Deutschland) GmbH, Grüneburgweg 58 - 62, 60322 Frankfurt am Main, Germany. As of September 7, 2017, Nidda Healthcare GmbH had a stated share capital (*Stammkapital*) of €25,000 divided into 25,000 shares with a par value of €1 each.

Subject to the Agreed Security Principles, on the earlier of (a) the date on which a Post-Control Date Guarantor provides a guarantee of the Senior Secured Credit Facilities and (b) 120 days from the earlier of (i) the Control Date and (ii) the date on which the Senior Secured Credit Facilities are first utilized by a member of the Target Group and, in each case, substantially simultaneously with the obligations under the Senior Secured Credit Facilities, the Notes will additionally be guaranteed by each such Post-Control Date Guarantor.

**Post-Issue Reporting**

Except as otherwise provided in this offering memorandum or as required by applicable law or regulation, we do not intend to provide post issue information regarding the Notes. The organizational documents of the Issuers, along with the Indentures relating to the Notes, the Intercreditor Agreement and the most recent consolidated financial statements published by us may be inspected and obtained at the office of the Paying Agent during normal business hours for a period of 14 days following grant of listing of the Notes. Copies of such documents will also be available from the Issuers upon request on and after the grant of listing of the Notes.

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## CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to June 30 in € 000s	Q2/2017	Q2/2016	H1/2017	H1/2016
Sales . . . . .	576,923	537,543	1,143,236	1,034,665
Cost of sales . . . . .	287,578	273,686	575,835	529,299
<b>Gross profit . . . . .</b>	<b>289,345</b>	<b>263,857</b>	<b>567,401</b>	<b>505,366</b>
Selling expenses . . . . .	119,964	115,824	243,546	232,847
General and administrative expenses . . . . .	45,417	47,036	98,499	90,730
Research and development expenses . . . . .	16,659	16,165	33,199	31,026
Other income . . . . .	5,477	5,085	11,721	8,372
Other expenses . . . . .	49,824	9,974	64,455	22,857
<b>Operating profit . . . . .</b>	<b>62,958</b>	<b>79,943</b>	<b>139,423</b>	<b>136,278</b>
Result from investments measured at equity . . . . .	1,074	1,007	2,311	999
Investment income . . . . .	—	23	—	23
Financial income . . . . .	719	302	1,557	971
Financial expenses . . . . .	11,392	13,737	23,109	26,961
<b>Financial result . . . . .</b>	<b>– 9,599</b>	<b>– 12,405</b>	<b>– 19,241</b>	<b>– 24,968</b>
<b>Earnings before taxes . . . . .</b>	<b>53,359</b>	<b>67,538</b>	<b>120,182</b>	<b>111,310</b>
Income taxes . . . . .	9,772	12,909	24,925	24,748
<b>Earnings after taxes . . . . .</b>	<b>43,587</b>	<b>54,629</b>	<b>95,257</b>	<b>86,562</b>
thereof				
• distributable to shareholders of STADA Arzneimittel AG (net income) . . . . .	41,080	52,399	90,275	82,005
• distributable to non-controlling shareholders . . . . .	2,507	2,230	4,982	4,557
Earnings per share in € (basic) . . . . .	0.66	0.84	1.45	1.32



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in € 000s	Q2/2017	Q2/2016	H1/2017	H1/2016
<b>Earnings after taxes</b> . . . . .	<b>43,587</b>	<b>54,629</b>	<b>95,257</b>	<b>86,562</b>
<b>Items to be recycled to the income statement in future:</b>				
<b>Currency translation gains and losses</b> . . . . .	<b>– 54,177</b>	<b>– 395</b>	<b>– 35,259</b>	<b>– 35,633</b>
thereof				
• income taxes . . . . .	885	191	– 96	282
<b>Gains and losses on available-for-sale financial assets</b> .	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
thereof				
• income taxes . . . . .	—	—	—	—
<b>Gains and losses on hedging instruments (cash flow</b>				
<b>hedges)</b> . . . . .	<b>—</b>	<b>687</b>	<b>—</b>	<b>913</b>
thereof				
• income taxes . . . . .	—	– 272	—	– 360
<b>Items not to be recycled to the income statement in</b>				
<b>future:</b>				
<b>Revaluation of net debt from defined benefit plans</b> . . . .	<b>—</b>	<b>– 6,208</b>	<b>—</b>	<b>– 6,208</b>
thereof				
• income taxes . . . . .	—	1,808	—	1,808
<b>Other comprehensive income</b> . . . . .	<b>– 54,177</b>	<b>– 5,916</b>	<b>– 35,259</b>	<b>– 40,928</b>
thereof				
• attributable to disposal groups held for sale in				
accordance with IFRS 5 . . . . .	—	—	– 180	—
<b>Consolidated comprehensive income</b> . . . . .	<b>– 10,590</b>	<b>48,713</b>	<b>59,998</b>	<b>45,634</b>
thereof				
• distributable to shareholders of STADA				
Arzneimittel AG . . . . .	– 8,893	45,004	60,116	41,607
• distributable to non-controlling shareholders . . . . .	– 1,697	3,709	– 118	4,027

## CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of June 30 in € 000s

Assets	June 30, 2017	Dec. 31, 2016
<b>Non-current assets</b>	<b>1,949,673</b>	<b>1,949,543</b>
Intangible assets	1,557,882	1,582,361
Property, plant and equipment	345,579	322,715
Financial assets	2,158	2,236
Investments measured at equity	16,183	13,872
Other financial assets	1,104	4,450
Other assets	1,848	3,095
Deferred tax assets	24,919	20,814
<b>Current assets</b>	<b>1,438,871</b>	<b>1,490,901</b>
Inventories	539,444	484,904
Trade accounts receivable	492,966	489,071
Income tax receivables	10,864	12,816
Other financial assets	29,272	39,880
Other assets	45,570	28,690
Cash and cash equivalents	320,755	352,580
Non-current assets and disposal groups held for sale	—	82,960
<b>Total assets</b>	<b>3,388,544</b>	<b>3,440,444</b>
<b>Equity and liabilities</b>	<b>June 30, 2017</b>	<b>Dec. 31, 2016</b>
<b>Equity</b>	<b>1,102,703</b>	<b>1,047,105</b>
Share capital	162,090	162,090
Capital reserve	514,206	514,189
Retained earnings including net income	763,608	673,253
Other provisions	- 409,338	- 379,074
Treasury shares	- 1,405	- 1,418
<b>Equity attributable to shareholders of the parent</b>	<b>1,029,161</b>	<b>969,040</b>
Shares relating to non-controlling shareholders	73,542	78,065
<b>Non-current borrowed capital</b>	<b>1,151,342</b>	<b>1,493,712</b>
Other non-current provisions	35,160	35,997
Financial liabilities	987,798	1,336,414
Other financial liabilities	3,541	3,916
Other liabilities	715	969
Deferred tax liabilities	124,128	116,416
<b>Current borrowed capital</b>	<b>1,134,499</b>	<b>899,627</b>
Other provisions	19,075	20,273
Financial liabilities	443,886	134,343
Trade accounts payable	348,698	336,844
Income tax liabilities	64,483	60,625
Other financial liabilities	163,172	214,031
Other liabilities	95,185	118,933
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	—	14,578
<b>Total assets</b>	<b>3,388,544</b>	<b>3,440,444</b>

## CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in € 000s	June 30, 2017	June 30, 2016
Net income . . . . .	95,257	86,562
Depreciation and amortization net of write-ups of non-current assets . . . . .	79,194	63,359
Income taxes . . . . .	24,925	24,748
Income tax paid . . . . .	– 19,115	– 18,568
Interest income and expenses . . . . .	21,582	25,995
Interest and dividends received . . . . .	2,040	2,173
Interest paid . . . . .	– 28,624	– 28,264
Result from investments measured at equity . . . . .	– 2,311	– 999
Result from the disposal of non-current assets . . . . .	25	– 53
Additions to / reversals of other non-current provisions . . . . .	1,634	1,837
Currency translation income and expenses . . . . .	76	6,525
Other non-cash expenses and gains <sup>(1)</sup> . . . . .	182,495	166,758
<b>Gross cash flow . . . . .</b>	<b>357,178</b>	<b>330,073</b>
Changes in inventories . . . . .	– 47,695	– 7,555
Changes in trade accounts receivable . . . . .	– 15,930	12,351
Changes in trade accounts payable . . . . .	– 4,709	– 38,360
Changes in other net assets, unless attributable to investing or financing activities <sup>(1)</sup> . . . . .	– 199,346	– 183,473
<b>Cash flow from operating activities . . . . .</b>	<b>89,498</b>	<b>113,036</b>
Payments for investments in		
• intangible assets . . . . .	– 42,203	– 37,990
• property, plant and equipment . . . . .	– 28,595	– 46,751
• financial assets . . . . .	– 70	– 3,005
• shares in consolidated companies . . . . .	– 1,504	—
• business combinations according to IFRS 3 . . . . .	– 2,854	– 13,242
Proceeds from the disposal of		
• intangible assets . . . . .	563	1,223
• property, plant and equipment . . . . .	1,420	862
• financial assets . . . . .	—	42
• shares in consolidated companies . . . . .	6	800
<b>Cash flow from investing activities . . . . .</b>	<b>– 73,237</b>	<b>– 98,061</b>
Borrowing of funds . . . . .	22,307	450,804
Settlement of financial liabilities . . . . .	– 65,431	– 218,910
Dividend distribution . . . . .	– 1,032	– 4,216
Capital increase from share options . . . . .	—	—
Changes in non-controlling interests . . . . .	—	1,623
Changes in treasury shares . . . . .	30	29
<b>Cash flow from financing activities . . . . .</b>	<b>– 44,126</b>	<b>229,330</b>
<b>Changes in cash and cash equivalents . . . . .</b>	<b>– 27,865</b>	<b>244,305</b>
Changes in cash and cash equivalents due to the scope of consolidation . . . . .	1,367	—
Changes in cash and cash equivalents due to exchange rates . . . . .	– 5,327	– 1,983
<b>Net change in cash and cash equivalents . . . . .</b>	<b>– 31,825</b>	<b>242,322</b>
<b>Balance at beginning of the period . . . . .</b>	<b>352,580</b>	<b>143,178</b>
<b>Balance at end of the period . . . . .</b>	<b>320,755</b>	<b>385,500</b>

(1) Non-cash additions to accruals for discounts to health insurance organizations in the first six months of 2017 in the amount of € 128.9 million (1-6/2016: € 143.9 million) are recognized in gross cash flow and are therefore not included in changes in other net assets.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Consolidated Statement of Changes in Shareholders' Equity in € 000s 2017	Number of shares	Share capital	Capital reserve	Retained earnings including net income	Provisions for currency translation	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
<b>Balance as of June 30, 2017</b> . . . . .	<b>62,342,440</b>	<b>162,090</b>	<b>514,206</b>	<b>763,608</b>	<b>-409,338</b>	<b>—</b>	<b>-1,405</b>	<b>1,029,161</b>	<b>73,542</b>	<b>1,102,703</b>
Dividend distribution . . . . .									-4,009	-4,009
Capital increase from share options . .										
Changes in treasury shares . . . . .			17				13	30		30
Changes in retained earnings . . . . .										
Changes in non-controlling interests . .									367	367
Changes in the scope of consolidation .				-25				-25	-763	-788
Other income . . . . .				105	-30,264			-30,159	-5,100	-35,259
Net income . . . . .				90,275				90,275	4,982	95,257
<b>Balance as of Jan. 1, 2017</b> . . . . .	<b>62,342,440</b>	<b>162,090</b>	<b>514,189</b>	<b>673,253</b>	<b>-379,074</b>	<b>—</b>	<b>-1,418</b>	<b>969,040</b>	<b>78,065</b>	<b>1,047,105</b>
<b>Previous year</b>										
<b>Balance as of June 30, 2016</b> . . . . .	<b>62,342,440</b>	<b>162,090</b>	<b>514,176</b>	<b>711,430</b>	<b>-398,584</b>	<b>—</b>	<b>-1,434</b>	<b>987,678</b>	<b>73,922</b>	<b>1,061,600</b>
Dividend distribution . . . . .									-4,216	-4,216
Capital increase from share options . .										
Changes in treasury shares . . . . .			5				24	29		29
Changes in retained earnings . . . . .										
Changes in non-controlling interests . .									1,623	1,623
Changes in the scope of consolidation .				-5,919	-35,392	913		-40,398	-530	-40,928
Other income . . . . .				82,005				82,005	4,557	86,562
Net income . . . . .				635,344	-363,192	-913	-1,458	946,042	72,488	1,018,530
<b>Balance as of Jan. 1, 2016</b> . . . . .	<b>62,342,440</b>	<b>162,090</b>	<b>514,171</b>	<b>635,344</b>	<b>-363,192</b>	<b>-913</b>	<b>-1,458</b>	<b>946,042</b>	<b>72,488</b>	<b>1,018,530</b>

## NOTES

### 1. General

#### 1.1. Accounting policies

This interim report of STADA complies with the requirements of Section 37w of the German Securities Trading Act (WpHG) and, in accordance with Section 37w (3) of the WpHG, includes consolidated interim financial statements and a group interim management report. The Consolidated Interim Financial Statements have been prepared under consideration of the International Financial Reporting Standards (IFRS) for interim reporting as applicable in the European Union (EU).

The Group Interim Management Report was prepared under consideration of the applicable WpHG regulations. The Consolidated Interim Financial Statements as of June 30, 2017 were prepared under consideration of the regulations outlined in International Accounting Standard (IAS) 34. In accordance with the provisions of IAS 34, an abridged scope of reporting as compared to the Consolidated Financial Statements as of December 31, 2016 was selected.

All IFRSs published by the International Accounting Standards Board (IASB) and endorsed by the EU which are mandatory for financial years starting as of January 1, 2017 have been observed by STADA.

In these Consolidated Interim Financial Statements—with the exception of the changed accounting policies listed in Note 1.2.—the same accounting policies and methods of computation are applied as in the Consolidated Financial Statements for financial year 2016. With regard to the principles and methods used in the context of Group Accounting, we generally refer to the notes to the Consolidated Financial Statements of the Annual Report 2016.

#### 1.2. Changes in accounting policies

In the first six months of 2017, STADA observed and, if relevant, applied the pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU, which were first applicable as of January 1, 2017. The changes had no or no significant effect on the presentation of STADA's business, financial, earnings situation or cash flow.

**The following IFRS standards, which are not yet applicable, have been published by the IASB:**

In July 2014, IASB published the standard IFRS 9 “Financial Instruments”. IFRS 9 replaces IAS 39 and includes guidelines for the classification, recognition and valuation of financial instruments. Furthermore, IFRS 9 also includes guidelines on the accounting of hedging transactions. IFRS 9 is to be applied for financial years beginning on or after January 1, 2018. Earlier application is permitted. An examination of the impact of the application of IFRS 9 on the consolidated financial statements has not yet been completed. As a result of the new guidelines for the impairment of financial instruments, in some cases expected future losses may lead to earlier recognition of expenses.

In May 2014, IASB published the new standard IFRS 15 “Revenue from Contracts with Customers”. IFRS 15 governs the revenue recognition for contracts with customers in a 5-step model and in particular replaces the existing standards IAS 11 “Construction Contracts” and IAS 18 “Revenue”. IFRS 15 is to be applied for financial years beginning on or after January 1, 2018. Earlier application is permitted. An examination of the impact of the application of IFRS 15 on the consolidated financial statements has not yet been completed. However, the new standard on the realization of sales will have little impact on sales accounting, as sales are largely realized in the consolidated financial statements as a result of routine transactions. There are no agreements in the Group which regulate multiple services within one contract or within several contracts (multi-element arrangements). Changes may occur exclusively in the accounting of licensing agreements, which amounted to less than 2% of the total sales revenue in financial year 2016. However, this only affects license agreements which are not bound by the sales achieved by the licensee and which grant the licensee the right to use the license, without further actions by STADA being required. For such license agreements, as a result of the new IFRS 15 standard, in future sales will be realized in the amount of the entire license fee with the granting of a license and therefore not, as they are presently, divided over the term of the license.

In January 2016, the IASB published the new IFRS 16 “Leases” standard, which determines the recording of contractual rights (assets) and obligations (liabilities) associated with leases in the balance sheet for lessees. Lessees are no longer required to classify leases as finance leases or operating leases. IFRS 16 is to



## NOTES (Continued)

### 1. General (Continued)

be applied for financial years beginning on or after January 1, 2019. Earlier application is permitted. An examination of the impact of the application of IFRS 16 on the consolidated financial statements has not yet been completed. As a result of the accounting of assets and liabilities in the lessee's balance sheet as required by IFRS 16, an increase of the balance sheet total is expected at the point of initial application. Instead of leasing expenses, as a result of the changes from IFRS 16, future depreciation and amortization and interest expenses will be recorded in the income statement—with a corresponding positive impact on EBITDA. Adoption into European law in accordance with IFRS 16 is still pending.

From today's perspective, no or no significant effects on the consolidated financial statements are expected from the future application of the further standards and interpretations not yet applied.

#### 1.3. Scope of consolidation

The Consolidated Interim Financial Statements of STADA have been prepared for STADA Arzneimittel AG as a parent company.

As part of the preparation of the Consolidated Financial Statements of STADA Arzneimittel AG, the most up-to-date planning information available was used for STADA Vietnam J.V. Co. Ltd. for April to June 2017 as a result of a lack of financial information, although STADA retains legal control. The share of financial information processed in this way in the Consolidated Financial Statements represents approx. 1% of Group sales, approx. 2% of EBITDA and approx. 1% of net income.

On January 1, 2017, STADA Pharmaceuticals Australia, Sydney, based in Australia, was included in the scope of consolidation.

Furthermore, the acquisition of Serbian Velexfarm d.o.o., Belgrade, was completed in accordance with corporate law in the first quarter of 2017. The company was consolidated as a subsidiary for the first time on January 1, 2017.

STADA Import/Export International Ltd., Hong Kong, China, was also sold in the first quarter of 2017. The transaction was completed on March 29, 2017. The assets and liabilities of the company were reported as non-current assets and disposal groups held for sale and associated liabilities as of December 31, 2016. A gain of € 0.2 million was recorded with the deconsolidation of the company as of March 31, 2017.

Furthermore, on June 30, 2017, the legal merger of the German branded products companies STADA GmbH and STADAvita GmbH, subsequently trading as STADA GmbH, was completed as was the merger of STADapharm GmbH and cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, subsequently trading as STADAPHARM GmbH.

In the Consolidated Interim Financial Statements of the STADA Group, 83 companies were thereby consolidated as subsidiaries and four companies as associates as of the balance sheet date of June 30, 2017.

#### 1.4. Business combinations

In the first six months of 2017, the following significant business combinations as defined by IFRS 3 occurred, for which the preliminary purchase price allocations are described in more detail below.

The Serbian subsidiary of STADA Arzneimittel AG, Hemofarm A.D., acquired Serbian pharmaceutical wholesaler Velexfarm d.o.o., based in Belgrade, Serbia, to strengthen the business activities on the Serbian market. The acquisition was completed with the aim of vertical integration in the Serbian market. The purchase price for the acquisition will total a maximum of € 1.0 million and will be or has already been fully paid in cash. This includes certain conditional purchase price components to be paid following the completion of operating tax inspections for the period before the acquisition. These components amount to a maximum of € 0.3 million. The purchase was completed on January 6, 2017 after the competition authorities approved the purchase contract signed in October 2016.

## NOTES (Continued)

### 1. General (Continued)

The provisional purchase price allocation from this merger resulted in goodwill of € 0.1 million, which was attributable to the following:

#### in € million

Purchase price for 100% of the shares of the company approx. ....	1.0
Proportionate fair values of the assets and liabilities acquired approx. ....	0.9
<b>Goodwill</b> .....	<b>0.1</b>

Goodwill resulted primarily from vertical integration in the Serbian market.

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

#### Fair values in € million

Non-current assets .....	0.4
Inventories .....	17.3
Trade accounts receivable .....	10.1
Other assets .....	2.8
Other current assets .....	0.0
Cash and cash equivalents .....	0.1
<b>Assets</b> .....	<b>30.7</b>
Deferred tax liabilities .....	0.0
Financial liabilities .....	1.9
Trade accounts payable .....	27.4
Other current financial liabilities .....	0.5
<b>Liabilities</b> .....	<b>29.8</b>

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the evaluation of acquired assets and liabilities assumed.

The gross figure of trade accounts receivable amounted to € 10.2 million, € 0.1 million of which was deemed not recoverable. Trade accounts receivable were recorded at their fair value in the amount of € 10.1 million.

Business relationships with Serbian Hemofarm A.D. had already existed before the acquisition. In financial year 2016, these sales amounted to € 8.9 million.

Sales recorded in the first six months of 2017 amounted to around € 33.0 million. The operating profit of this business combination adjusted for the effects of the purchase price allocation (around € 0.3 million) amounted to around € 0.2 million in this period.

### 2. Notes to the Consolidated Income Statements

#### 2.1. Sales

The increase in sales compared to the corresponding period of the previous year primarily resulted from sales growth in Russia, Serbia and Belgium. The influences of exchange rate effects and portfolio changes on the sales increase amounted to a total of 4.3 percentage points in the reporting period. Details on how sales are broken down according to segments and regions can be found in segment reporting (see Note 5) and in additional information (see Note 6).

#### 2.2. Cost of sales and gross profit

Cost of sales increased in line with increased sales to € 575.8 million in the reporting period (1-6/2016: € 529.3 million). The increase in cost of sales was lower than the increase in sales, particularly due to an exchange-rate related improvement in purchasing conditions in the CIS subgroup.

## NOTES (Continued)

### 2. Notes to the Consolidated Income Statements (Continued)

Gross profit increased to € 567.4 million in the first six months of 2017 (1-6/2016: € 505.4 million). The gross margin improved to 49.6% (1-6/2016: 48.8%). This was particularly attributable to an improved discount rate in the German Generics segment, for example as a result of the STADApHarm discount agreements, which fully expired in December 2016, as well as the Generics and Branded Products segments in the Serbian subgroup.

#### 2.3. Selling expenses

Selling expenses increased to € 243.6 million in the reporting period (1-6/2016: € 232.8 million). This development was primarily based on increased marketing and sales expenses in the Branded Products segment, particularly in Russia, the United Kingdom and Italy.

#### 2.4. Other income

Other income recorded growth to € 11.7 million in the reporting period (1-6/2016: € 8.4 million). This development was primarily attributable to write-ups on non-current assets in the Branded Products segment.

#### 2.5. Other expenses

Other expenses increased to € 64.5 million in the first six months of 2017 (1-6/2016: € 22.9 million). This development was primarily due to increased impairments on non-current assets in the Branded Products segment, of which Fultium-D3 vitamin drops are the largest single item, as well as consultancy expenses in connection with the takeover process and write-downs on trade accounts receivable.

#### 2.6. Financial expenses

The decline in financial expenses to € 23.1 million in the first six months of 2017 (1-6/2016: € 27.0 million) was primarily attributable to the measurement of derivative financial instruments and lower interest expenses.

#### 2.7. Income taxes

Income tax expenses increased slightly to € 24.9 million (1-6/2016: € 24.7 million) in the reporting period. The reported tax rate improved to 20.7% (1-6/2016: 22.2%). This development primarily resulted from the reversal of tax provisions, among other things, in connection with a completed agreement procedure.

#### 2.8. Earnings per share

Earnings per share increased in the first six months of 2017 by € 0.13 to € 1.45 compared to the same period of the previous year (1-6/2016: € 1.32).

### 3. Notes to the Consolidated Balance Sheet

#### 3.1. Intangible assets

Intangible assets decreased by € 24.5 million to € 1,557.9 million as of June 30, 2017 (December 31, 2016: € 1,582.4 million). This development was attributable to currency effects as well as write-downs. As of June 30, 2017, intangible assets included goodwill in the amount of € 405.6 million (December 31, 2016: € 404.6 million).

#### 3.2. Property, plant and equipment

As of June 30, 2017, property, plant and equipment increased to € 345.6 million (December 31, 2016: € 322.7 million). The increase was primarily attributable to investments in production facilities in the Serbian subgroup as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

## NOTES (Continued)

### 3. Notes to the Consolidated Balance Sheet (Continued)

#### 3.3. Inventories

Inventories increased to € 539.4 million as of June 30, 2017 (1-6/2016: € 484.9 million). This development was particularly attributable to reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5, as well as additions from the acquisition of the Serbian wholesaler Velexfarm.

#### 3.4. Other financial assets

Current other financial assets decreased to €29.3 million as of June 30, 2017 (December 31, 2016: €39.9 million). This development was mainly attributable to the expiration of a derivative financial instrument.

#### 3.5. Other assets

The increase in current other assets by € 16.9 million to € 45.6 million as of the reporting date of June 30, 2017 (December 31, 2016: € 28.7 million) was particularly due to advance payments made.

#### 3.6. Retained earnings and other reserves

Retained earnings including net income comprise net income for the first six months of 2017 as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account.

Other reserves include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve. The decrease in other provisions in the first six months of 2017 can be allocated primarily to the depreciation of the Russian ruble and British pound sterling since December 31, 2016 and the resulting expenses with no effect on income from the currency translation of companies accounted for in this currency.

#### 3.7. Financial liabilities

As of June 30, 2017, the Group's current and non-current financial liabilities in the amount of € 443.9 million and € 987.8 million (December 31, 2016: € 134.3 million and € 1,336.4 million) particularly include promissory note loans that have a nominal value in the amount of € 665.0 million (December 31, 2016: € 709.0 million), a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million (December 31, 2016: a bond with a nominal value in the amount of € 350.0 million and a bond with a nominal value in the amount of € 300.0 million). The increase in non-current financial liabilities primarily resulted from the reclassification of a bond in accordance with its maturity. In addition, promissory note loans in the amount of € 44.0 million were repaid in the first six months of 2017.

#### 3.8. Trade accounts payable

Trade accounts payable increased as of the balance sheet date of June 30, 2017 by € 11.9 million to € 348.7 million (December 31, 2016: € 336.8 million). This development was particularly a result of the acquisition of the Serbian wholesaler Velexfarm, as well as reclassifications of former non-current assets and disposal groups held for sale in accordance with IFRS 5.

#### 3.9. Other financial liabilities

Current other financial liabilities decreased by € 50.8 million to € 163.2 million as of June 30, 2017 (December 31, 2016: € 214.0 million), primarily as a result of declining accruals for health insurance organization discounts.

## NOTES (Continued)

### 3. Notes to the Consolidated Balance Sheet (Continued)

#### 3.10. Other liabilities

Current other liabilities decreased by € 23.7 million to € 95.2 million as of June 30, 2017 (December 31, 2016: € 118.9 million), primarily due to declining accruals for personnel-related liabilities in Germany.

#### 3.11. Non-current assets and disposal groups held for sale and related liabilities

As of June 30, 2017 there was no recognition of non-current assets and disposal groups held for sale (December 31, 2016: € 83.0 million) as well as related liabilities (December 31, 2016: € 14.6 million) in a separate line item. On December 31, 2016, this related to reported disposal groups for two subsidiaries. The subsidiary STADA Import/Export International Ltd. was sold in the first quarter of 2017. The sale of the second subsidiary is no longer considered highly likely as a result of current strategic considerations.

The following table includes a reclassification based on the Consolidated Balance Sheet of December 31, 2016 for comparison, which only shows the STADA Import/Export International Ltd. subsidiary as recognized as held for sale. In this Consolidated Balance Sheet as of December 31, 2016, non-current assets and disposal groups held for sale in the amount of € 3.8 million as well as related liabilities in the amount of € 0.8 million are reported, which consequently relate exclusively to STADA Import/ Export International Ltd. that was sold in the first quarter of 2017.

Consolidated Balance Sheet as of December 31, 2016 in € 000s	December 31, 2016 (reported)	Reclassification	Dec. 31, 2016 (after reclassification)
<b>Assets</b>			
<b>Non-current assets</b> . . . . .	<b>1,949,543</b>	<b>44,126</b>	<b>1,993,669</b>
Intangible assets . . . . .	1,582,361	28,314	1,610,675
Property, plant and equipment . . . . .	322,715	15,724	338,439
Financial assets . . . . .	2,236	—	2,236
Investments measured at equity . . . . .	13,872	—	13,872
Other financial assets . . . . .	4,450	4	4,454
Other assets . . . . .	3,095	—	3,095
Deferred tax assets . . . . .	20,814	84	20,898
<b>Current assets</b> . . . . .	<b>1,490,901</b>	<b>– 44,126</b>	<b>1,446,775</b>
Inventories . . . . .	484,904	24,451	509,355
Trade accounts receivable . . . . .	489,071	8,294	497,365
Income tax receivables . . . . .	12,816	—	12,816
Other financial assets . . . . .	39,880	—	39,880
Other assets . . . . .	28,690	1,410	30,100
Cash and cash equivalents . . . . .	352,580	890	353,470
Non-current assets and disposal groups held for sale . . . . .	82,960	– 79,171	3,789
<b>Total assets</b> . . . . .	<b><u>3,440,444</u></b>	<b><u>—</u></b>	<b><u>3,440,444</u></b>



## NOTES (Continued)

### 3. Notes to the Consolidated Balance Sheet (Continued)

Equity and liabilities	December 31, 2016 (reported)	Reclassification	Dec. 31, 2016 (after reclassification)
<b>Equity</b> . . . . .	<b>1,047,105</b>	—	<b>1,047,105</b>
Share capital . . . . .	162,090	—	162,090
Capital reserve . . . . .	514,189	—	514,189
Retained earnings including net income . . . . .	673,253	—	673,253
Other provisions . . . . .	– 379,074	—	– 379,074
Treasury shares . . . . .	– 1,418	—	– 1,418
<b>Equity attributable to shareholders of the parent</b> . . . . .	<b>969,040</b>	—	<b>969,040</b>
Shares relating to non-controlling shareholders . . . . .	78,065	—	78,065
<b>Non-current borrowed capital</b> . . . . .	<b>1,493,712</b>	<b>6,087</b>	<b>1,499,799</b>
Other non-current provisions . . . . .	35,997	513	36,510
Financial liabilities . . . . .	1,336,414	—	1,336,414
Other financial liabilities . . . . .	3,916	—	3,916
Other liabilities . . . . .	969	—	969
Deferred tax liabilities . . . . .	116,416	5,574	121,990
<b>Current borrowed capital</b> . . . . .	<b>899,627</b>	<b>– 6,087</b>	<b>893,540</b>
Other provisions . . . . .	20,273	—	20,273
Financial liabilities . . . . .	134,343	—	134,343
Trade accounts payable . . . . .	336,844	5,487	342,331
Income tax liabilities . . . . .	60,625	618	61,243
Other financial liabilities . . . . .	214,031	—	214,031
Other liabilities . . . . .	118,933	1,581	120,514
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups . . . . .	14,578	– 13,773	805
<b>Total assets</b> . . . . .	<b>3,440,444</b>	—	<b>3,440,444</b>

### 4. Notes to the Consolidated Cash Flow Statement

#### 4.1. Cash flow from operating activities

Cash flow from operating activities, which consists of changes in items not covered by investments, financing, exchange differences on the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement, decreased to € 89.5 million in the first six months of 2017 (1-6/2016: € 113.0 million). The change of € 23.5 million compared with the same period of the previous year is particularly due to a significantly higher cash-effective increase in inventories in the reporting period, as well as a cash-effective increase in trade accounts receivable compared with a cash-effective decrease in the previous year, which was particularly attributable to a lower increase in the factoring volume in the reporting period compared with the same period of the previous year. An improved gross cash flow compared with the previous year as well as a lower cash-effective decrease in trade accounts payable partially compensated for these reduction effects on cash flow from operating activities.

#### 4.2. Cash flow from investing activities

Cash flow from investing activities—which reflects the cash outflows for investments reduced by the inflows from disposals—amounted to € – 73.2 million in the reporting period (1-6/2016: € – 98.1 million). In the first six months of 2017, the cash flow from investing activities was particularly influenced by payments for investments in intangible assets. Within the scope of business combinations, there were pay-outs for the final purchase price payment from the acquisition of the Argentinian Laboratorio Vannier as well as for the acquisition of the Serbian pharmaceutical wholesaler Velexfarm. In the corresponding period of the previous year, there were significantly higher pay-outs for business combinations, mainly for the acquisition of the Argentinian Laboratorio Vannier and the British BSMW. Proceeds from the disposal of shares in consolidated companies exclusively related to the sale of shares in the Chinese STADA Import/Export International Ltd., Hong Kong. The sale price amounted to € 6,000 and was paid in cash and cash equivalents. Assets in the total amount of € 1.7 million and liabilities in the total amount of € 1.7 million were hereby disposed of.

## **NOTES (Continued)**

### **4. Notes to the Consolidated Cash Flow Statement (Continued)**

#### **4.3. Cash flow from financing activities**

Cash flow from financing activities amounted to € –44.1 million in the reporting period (1-6/2016: € 229.3 million). This development was primarily attributable to a significantly lower borrowing of funds compared with the same period of the previous year.

#### **4.4. Cash flow for the period**

Cash flow for the period is the balance of cash inflows and outflows from cash flow from operating activities, cash flow from investing and financing activities as well as from changes in cash and cash equivalents due to exchange rates and/or the scope of consolidation and amounted to € –31.8 million in the first six months of 2017 (1-6/2016: € 242.3 million).

### **5. Segment Reporting**

#### **5.1. General information**

The measurement approaches for segment reporting are in accordance with the financial reporting methods used in the IFRS consolidated financial statements. Services between the segments are charged based on market prices.

The reported segment result corresponds to the operating profit of the Income Statement of the STADA Group in accordance with IFRS. Reporting of individual non-current assets according to segment as well as segment liabilities is waived, as this information is not used for Group monitoring.

## NOTES (Continued)

### 5. Segment Reporting (Continued)

#### 5.2. Information by operating segment

in € 000s		Q2/2017	Q2/2016	H1/2017	H1/2016
<b>Generics . . . . .</b>	<b>External sales</b>	<b>348,542</b>	<b>319,947</b>	<b>674,426</b>	<b>627,168</b>
	Sales with other segments	312	115	1,012	154
	Total sales	348,854	320,062	675,438	627,322
	Operating profit	67,398	55,002	122,627	104,622
	Depreciation/amortization	13,213	11,711	26,373	24,272
	Impairment losses	1,361	326	2,440	346
	Reversals	536	—	536	3
	Other significant non-cash items within operating result	– 73,798	– 60,561	– 154,229	– 153,445
<b>Branded Products . . . . .</b>	<b>External sales</b>	<b>228,381</b>	<b>217,510</b>	<b>468,810</b>	<b>407,301</b>
	Sales with other segments	6	—	10	—
	Total sales	228,387	217,510	468,820	407,301
	Operating profit	31,929	41,898	72,831	70,705
	Depreciation/amortization	16,650	14,441	32,633	28,321
	Impairment losses	17,888	5,718	17,954	5,720
	Reversals	1,918	—	1,918	—
	Other significant non-cash items within operating result	– 6,884	– 6,446	– 16,774	– 15,736
<b>Reconciliation Group holdings/other and consolidation . . . . .</b>	<b>External sales</b>	<b>—</b>	<b>86</b>	<b>—</b>	<b>196</b>
	Sales with other segments	– 318	– 115	– 1,022	– 154
	Total sales	– 318	– 29	– 1,022	42
	Operating result	– 36,369	– 16,957	– 56,035	– 39,049
	Depreciation/amortization	987	1,945	1,978	3,865
	Impairment losses	270	384	270	838
	Reversals	– 407	—	—	—
	Other significant non-cash items within operating result	– 17,419	– 3,768	– 13,820	– 5,974
<b>Group . . . . .</b>	<b>External sales</b>	<b>576,923</b>	<b>537,543</b>	<b>1,143,236</b>	<b>1,034,665</b>
	Sales with other segments	—	—	—	—
	Total sales	576,923	537,543	1,143,236	1,034,665
	Operating profit	62,958	79,943	139,423	136,278
	Depreciation/amortization	30,850	28,097	60,984	56,458
	Impairment losses	19,519	6,428	20,664	6,904
	Reversals	2,047	—	– 2,454	– 3
	Other significant non-cash items within operating result	– 98,101	– 70,775	– 184,823	– 175,155

#### 5.3. Reconciliation of segment results to net profit

in € 000s		Q2/2017	Q2/2016	H1/2017	H1/2016
Operating segment profit . . . . .		99,327	96,900	195,458	175,327
Reconciliation Group holdings/other and consolidation . . .		– 36,369	– 16,957	– 56,035	– 39,049
Result from investments measured at equity . . . . .		1,074	1,007	2,311	999
Investment income . . . . .		0	23	0	23
Financial income . . . . .		719	302	1,557	971
Financial expenses . . . . .		11,392	13,737	23,109	26,961
<b>Earnings before taxes, Group . . . . .</b>		<b>53,359</b>	<b>67,538</b>	<b>120,182</b>	<b>111,310</b>

## NOTES (Continued)

### 6. Additional Information

#### 6.1. Information by segment

Sales Generics in € 000s	Q2/2017	Q2/2016	± % <sup>(1)</sup>	± % adjusted <sup>(2)</sup>
<b>Top 8 markets</b>				
• Germany . . . . .	75,236	74,571	+1%	+1%
• Italy . . . . .	45,649	41,277	+11%	+11%
• Belgium . . . . .	31,255	13,879	>100%	>100%
• Russia . . . . .	27,846	29,081	−4%	−17%
• Spain . . . . .	24,624	25,870	−5%	−5%
• Serbia . . . . .	22,011	16,622	+32%	−19%
• France . . . . .	20,306	21,567	−6%	−6%
• Vietnam . . . . .	17,749	16,088	+10%	+16%
Other . . . . .	83,866	80,992	+4%	+5%
<b>Total Generics . . . . .</b>	<b>348,542</b>	<b>319,947</b>	<b>+9%</b>	<b>+6%</b>

Sales Generics in € 000s	H1/2017	H1/2016	± % <sup>(1)</sup>	± % adjusted <sup>(2)</sup>
<b>Top 8 markets</b>				
• Germany . . . . .	145,943	150,484	−3%	−3%
• Italy . . . . .	84,804	79,833	+6%	+6%
• Belgium . . . . .	56,030	40,775	+37%	+37%
• Spain . . . . .	52,972	52,809	0%	0%
• Russia . . . . .	52,301	49,325	+6%	−13%
• Serbia . . . . .	44,006	25,585	+72%	+6%
• France . . . . .	38,670	40,392	−4%	−4%
• Vietnam . . . . .	35,059	32,361	+8%	+10%
Other . . . . .	164,641	155,604	+6%	+7%
<b>Total Generics . . . . .</b>	<b>674,426</b>	<b>627,168</b>	<b>+8%</b>	<b>+4%</b>

Sales Branded Products in € 000s	Q2/2017	Q2/2016	± % <sup>(1)</sup>	± % adjusted <sup>(2)</sup>
<b>Top 5 markets</b>				
• Russia . . . . .	55,644	42,169	+32%	+14%
• United Kingdom . . . . .	47,284	50,165	−6%	−2%
• Germany . . . . .	28,544	38,429	−26%	−26%
• Italy . . . . .	11,044	11,253	−2%	−2%
• Vietnam . . . . .	9,686	8,641	+12%	+11%
Other . . . . .	76,179	66,853	+14%	+13%
<b>Total Branded Products . . . . .</b>	<b>228,381</b>	<b>217,510</b>	<b>+5%</b>	<b>+2%</b>

Sales Branded Products in € 000s	H1/2017	H1/2016	± % <sup>(1)</sup>	± % adjusted <sup>(2)</sup>
<b>Top 5 markets</b>				
• Russia . . . . .	108,038	60,180	+80%	+48%
• Germany . . . . .	91,352	100,206	−9%	−9%
• United Kingdom . . . . .	82,119	83,621	−2%	+1%
• Italy . . . . .	21,619	21,458	+1%	+1%
• Vietnam . . . . .	19,378	17,539	+10%	+9%
Other . . . . .	146,304	124,297	+18%	+16%
<b>Total Branded Products . . . . .</b>	<b>468,810</b>	<b>407,301</b>	<b>+15%</b>	<b>+10%</b>

(1) Calculated on thousand-euro basis.

(2) Adjustments due to changes in the Group portfolio and currency effects.

## NOTES (Continued)

### 7. Disclosures about fair value measurements and financial instruments

The following table shows how the valuation rates of assets and liabilities measured at fair value were determined:

Fair values by levels of hierarchy in € 000s on a recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Financial assets held for trading (FAHfT)						
• Currency forwards . . . . .	—	—	2,592	—	—	371
• Interest rate/currency swaps . . . . .	—	—	—	—	—	16,424
Financial liabilities held for trading (FLHfT)						
• Currency forwards . . . . .	—	—	318	—	—	15,967
• Interest rate/currency swaps . . . . .	—	—	—	—	2,741	3,397
Derivative financial liabilities with hedging relationship						
• Cash flow hedges . . . . .	—	—	—	—	—	—

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If the need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period.

The fair values are analyzed in the context of the preparation of the financial statements. For this purpose, market comparisons and change analyses are carried out.

Derivative financial assets (FAHfT) and derivative financial liabilities (FLHfT) include positive or negative market values of derivative financial instruments (interest rate/currency swaps and foreign exchange swaps) not part of a hedging relationship. The fair values of currency forwards were calculated using financial mathematics based on current market data provided by a reputable information service, such as spot exchange rates or swap rates, in one system according to standardized procedures. In the previous year, these fair values were determined using appropriate valuation models by external third parties. This continued to be the case for interest/currency swaps in the reporting year. This includes the application of discounted cash flow methods, which are largely based on input parameters observable in the market. The cash flows which are already fixed or calculated by means of the current yield curve are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the balance sheet date. The same applies for the calculation of the fair values of the derivative financial liabilities with a hedging relationship in the previous year, which reflected the negative market values of the interest rate swaps used as hedging instruments.

As STADA utilizes pricing information from external third parties without further correction in the determination of the fair value, and therefore does not produce any quantitative, non-observable input factors, the option of IFRS 13 to waive the disclosure of quantitative information on such input factors is taken.



## NOTES (Continued)

### 7. Disclosures about fair value measurements and financial instruments (Continued)

Financial assets and liabilities allocated to hierarchy level 3 and recognized at fair value developed as follows in the first six months of 2017:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
<b>Balance as of Jan. 1, 2017</b> . . . . .	<b>9,910</b>	<b>– 3,362</b>
Reclassification from level 2 . . . . .	—	—
Currency changes . . . . .	—	—
Total result . . . . .	– 268	621
• in the income statement . . . . .	– 268	621
• directly in equity . . . . .	—	—
Additions . . . . .	—	—
Realizations . . . . .	– 9,642	—
Reclassification to level 2 . . . . .	—	—
<b>Balance at June 30, 2017</b> . . . . .	<b>—</b>	<b>– 2,741</b>
<b>Income recognized through profit or loss</b> . . . . .	<b>– 268</b>	<b>621</b>
Other income/other expenses . . . . .	– 151	472
thereof		
• attributable to assets/liabilities held as of the reporting date . . . .	—	472
Financial result . . . . .	– 117	149
thereof		
• attributable to assets/liabilities held as of the reporting date . . . .	—	149

Financial assets and liabilities allocated to hierarchy level 3 and recognized at fair value developed as follows in the first six months of 2016:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
<b>Balance as of Jan. 1, 2016</b> . . . . .	<b>27,461</b>	<b>– 4,611</b>
Reclassification from level 2 . . . . .	—	—
Currency changes . . . . .	—	—
Total result . . . . .	– 5,607	– 16,057
• in the income statement . . . . .	– 5,607	– 17,331
• directly in equity . . . . .	—	1,274
Additions . . . . .	—	—
Realizations . . . . .	– 5,059	1,314
Reclassification to level 2 . . . . .	—	—
<b>Balance at June 30, 2016</b> . . . . .	<b>16,795</b>	<b>– 19,354</b>
<b>Income recognized through profit or loss</b> . . . . .	<b>– 5,607</b>	<b>– 17,331</b>
Other income/other expenses . . . . .	– 6,094	– 10,522
thereof		
• attributable to assets/liabilities held as of the reporting date . . . .	– 6,094	– 10,529
Financial result . . . . .	487	– 6,809
thereof		
• attributable to assets/liabilities held as of the reporting date . . . .	487	– 5,497

## NOTES (Continued)

### 7. Disclosures about fair value measurements and financial instruments (Continued)

The following disclosures are made for financial assets and financial liabilities whose fair value differs from the carrying amount as of June 30, 2017:

in € 000s	Carrying amount June 30, 2017	Fair Value June 30, 2017	Carrying amount Dec. 31, 2016	Fair Value Dec. 31, 2016
Amounts due to banks . . . . .	120,588	121,205	116,468	117,531
Promissory note loans . . . . .	663,693	696,128	707,459	746,076
Bonds . . . . .	647,403	666,877	646,830	665,138
<b>Financial liabilities . . . . .</b>	<b><u>1,431,684</u></b>	<b><u>1,484,210</u></b>	<b><u>1,470,757</u></b>	<b><u>1,528,745</u></b>

Financial liabilities shown in the table are allocated to the valuation category “Financial liabilities measured at amortized cost” in accordance with IAS 39. There have been no changes regarding the division of financial assets and financial liabilities into valuation categories in accordance with IAS 39 in the first six months of 2017 as compared to the presentation in the Annual Report 2016.

For all other financial assets and liabilities not displayed in the table above, the carrying amounts—approximately or based on valuation methods taking the listed prices on active markets or observable input parameters in the market as a basis—correspond to the respective fair values of the individual assets and liabilities.

### 8. Contingent liabilities and other financial obligations

Contingent liabilities describe possible obligations with respect to third parties resulting from past events and which may lead to a future outflow of resources depending on specific events. As of the balance sheet date, these contingent liabilities were considered improbable and are therefore not recognized.

Along with contingent liabilities described in the Annual Report 2016, in the first six months of 2017, there were also additional potential liabilities of € 12.8 million. This increase was primarily due to an outstanding assessment of the tax treatment of trading conditions as well as possible liabilities due to a ban on business activities between Russia and Ukraine. The revision of the assessment of a patent risk for an active pharmaceutical ingredient resulting in a reduction in contingent liabilities of € 3.3 million had an opposing effect.

In addition to the contingent liabilities, there were other future financial obligations, which can be broken down as follows:

in € 000s	June 30, 2017	Dec. 31, 2016
Operating lease liabilities . . . . .	62,776	69,111
Other financial obligations . . . . .	49,797	42,460
<b>Total . . . . .</b>	<b><u>112,573</u></b>	<b><u>111,571</u></b>

As of June 30, 2017, other financial obligations primarily included a guarantee amounting to € 25.0 million toward Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG, which are recognized using the equity method.

STADA, as guarantor, has continued to recognize this guarantee as a financial guarantee in accordance with IAS 39 with a fair value in the amount of only € 0.3 million in the reporting period (December 31, 2016: € 0.3 million), as STADA is currently not expecting utilization of this guarantee.

Furthermore, additional guarantees assumed by the STADA Group are included in other financial liabilities, among other things.

### 9. Related party transactions

In the scope of the ordinary course of business, STADA Arzneimittel AG and/or its consolidated companies have entered into related party transactions. In accordance with IAS 24, “related parties” refers

## NOTES (Continued)

### 9. Related party transactions (Continued)

to directly or indirectly controlled subsidiaries that are not consolidated due to lack of material significance, associates and joint ventures as well as persons in key positions and their close relatives. In principle, all trades are settled with related companies and natural persons at market-rate conditions.

No significant changes occurred with regard to related companies in the first six months of 2017 compared with the situation as described in the Annual Report 2016.

No significant changes occurred with regard to related parties in the first six months of 2017 compared with the situation as described in the Annual Report 2016.

### 10. Significant events after the balance-sheet date

At the beginning of the third quarter of 2017, changes were made to the STADA Executive Board. At its meeting of July 4, 2017, the STADA Supervisory Board consented to Dr. Wiedenfels resigning from office as Chairman and member of the Executive Board and to Mr. Kraft resigning from office as a member of the Executive Board.<sup>(1)</sup> Both resigned from office with immediate effect. At the same time, the Supervisory Board appointed Mr. Engelbert Coster Tjeenk Willink as a member and Chairman of the Executive Board and Dr. Bernhard Düttmann as a member of the Executive Board as Chief Financial Officer. Both of the new Executive Board members were appointed with immediate effect and for a period up to December 31, 2017.

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(1) See the Company's ad hoc release of July 4, 2017.

## REVIEW REPORT

To STADA Arzneimittel AG, Bad Vilbel

We have reviewed the condensed Consolidated Interim Financial Statements—comprising the balance sheet, the income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and selected explanatory notes, together with the Group Interim Management Report of the STADA Arzneimittel AG, Bad Vilbel, for the period from January 1 to June 30, 2017, that are part of the semi-annual financial report pursuant to article 37w WpHG. The preparation of the condensed consolidated interim financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the group interim management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed Consolidated Interim Financial Statements and on the Group Interim Management Report based on our review.

We conducted our review of the condensed Consolidated Interim Financial Statements and of the Group Interim Management Report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed Consolidated Interim Financial Statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the Group Interim Management Report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed Consolidated Interim Financial Statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the Group Interim Management Report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, August 2, 2017

PKF Deutschland GmbH  
Wirtschaftsprüfungsgesellschaft



Arno Kramer  
German Public Accountant



Annika Fröde  
German Public Accountant

## STADA CONSOLIDATED FINANCIAL STATEMENTS 2016

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## CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement  
for the period from Jan. 1 to Dec. 31 in € 000s

	2016	Previous year	Note
Sales . . . . .	2,139,220	2,115,129	11.
Cost of sales . . . . .	1,105,313	1,101,709	12.
<b>Gross profit . . . . .</b>	<b>1,033,907</b>	<b>1,013,420</b>	
Selling expenses . . . . .	488,323	482,643	13.
General and administrative expenses . . . . .	182,696	178,364	14.
Research and development expenses . . . . .	65,111	64,993	15.
Other income . . . . .	19,279	20,032	16.
Other expenses . . . . .	138,933	83,709	17.
<b>Operating profit . . . . .</b>	<b>178,123</b>	<b>223,743</b>	
Result from investments measured at equity . . . . .	703	1,419	
Investment income . . . . .	24	138	
Financial income . . . . .	2,716	1,170	
Financial expenses . . . . .	54,137	68,667	
<b>Financial result . . . . .</b>	<b>– 50,694</b>	<b>– 65,940</b>	18.
<b>Earnings before taxes . . . . .</b>	<b>127,429</b>	<b>157,803</b>	
Income taxes . . . . .	31,938	40,638	19.
<b>Earnings after taxes . . . . .</b>	<b>95,491</b>	<b>117,165</b>	
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income) . . . . .	85,904	110,404	
• distributable to non-controlling shareholders . . . . .	9,587	6,761	20.
Earnings per share in € (basic) . . . . .	1.38	1.79	21.
Earnings per share in € (diluted) <sup>(1)</sup> . . . . .	—	1.79	

(1) Earnings per share will not be diluted in financial year 2016, because the share options from the STADA warrants in connection with the Conditional Capital Increase 2004/I expired on June 26, 2015.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in € 000s	2016	Previous year	Note
<b>Earnings after taxes</b> . . . . .	<b>95,491</b>	<b>117,165</b>	
<b>Items to be recycled to the income statement in future:</b>			
<b>Currency translation gains and losses</b> . . . . .	<b>– 13,914</b>	<b>8,928</b>	34.
thereof			
• income taxes . . . . .	– 1,493	352	19.
<b>Gains and losses on available-for-sale financial assets</b> . . . . .	<b>—</b>	<b>– 22</b>	45.
thereof			
• income taxes . . . . .	—	5	19.
<b>Gains and losses on hedging instruments (cash flow hedges)</b> . . . . .	<b>913</b>	<b>1,054</b>	45.
thereof			
• income taxes . . . . .	– 360	– 338	19.
<b>Items not to be recycled to the income statement in future:</b>			
<b>Revaluation of net debt from defined benefit plans</b> . . . . .	<b>– 4,980</b>	<b>2,822</b>	35.
thereof			
• income taxes . . . . .	1,226	– 23	19.
<b>Other comprehensive income</b> . . . . .	<b>– 17,981</b>	<b>12,782</b>	
<b>Consolidated comprehensive income</b> . . . . .	<b>77,510</b>	<b>129,947</b>	
thereof			
• distributable to shareholders of STADA Arzneimittel AG . . . . .	66,520	120,584	
• distributable to non-controlling shareholders . . . . .	10,990	9,363	

## CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of Dec. 31 in € 000s

Assets	Dec. 31, 2016	Dec. 31, 2015	Note
<b>Non-current assets</b>	<b>1,949,543</b>	<b>2,032,309</b>	
Intangible assets	1,582,361	1,649,020	24.
Property, plant and equipment	322,715	321,617	25.
Financial assets	2,236	1,339	26.
Investments measured at equity	13,872	13,168	27.
Other financial assets	4,450	8,718	29.
Other assets	3,095	4,374	30.
Deferred tax assets	20,814	34,073	19.
<b>Current assets</b>	<b>1,490,901</b>	<b>1,255,106</b>	
Inventories	484,904	501,520	31.
Trade accounts receivable	489,071	485,901	28.
Income tax receivables	12,816	21,182	19.
Other financial assets	39,880	74,279	29.
Other assets	28,690	29,046	30.
Cash and cash equivalents	352,580	143,178	32.
Non-current assets and disposal groups held for sale	82,960	—	33.
<b>Total assets</b>	<b>3,440,444</b>	<b>3,287,415</b>	
<b>Equity and liabilities</b>	<b>Dec. 31, 2016</b>	<b>Dec. 31, 2015</b>	<b>Note</b>
<b>Equity</b>	<b>1,047,105</b>	<b>1,018,530</b>	34.
Share capital	162,090	162,090	
Capital reserve	514,189	514,171	
Retained earnings including net income	673,253	635,344	
Other provisions	— 379,074	— 364,105	
Treasury shares	— 1,418	— 1,458	
<b>Equity attributable to shareholders of the parent</b>	<b>969,040</b>	<b>946,042</b>	
Shares relating to non-controlling shareholders	78,065	72,488	
<b>Non-current borrowed capital</b>	<b>1,493,712</b>	<b>1,282,577</b>	
Other non-current provisions	35,997	28,869	35.
Financial liabilities	1,336,414	1,084,213	36.
Other financial liabilities	3,916	7,201	38.
Other liabilities	969	2,053	39.
Deferred tax liabilities	116,416	160,241	19.
<b>Current borrowed capital</b>	<b>899,627</b>	<b>986,308</b>	
Other provisions	20,273	22,532	40.
Financial liabilities	134,343	274,672	36.
Trade accounts payable	336,844	328,487	37.
Income tax liabilities	60,625	39,444	19.
Other financial liabilities	214,031	218,792	38.
Other liabilities	118,933	102,381	39.
Non-current liabilities and associated liabilities of disposal groups held for sale and disposal groups	14,578	—	33.
<b>Total equity and liabilities</b>	<b>3,440,444</b>	<b>3,287,415</b>	

## CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in € 000s	Dec. 31, 2016	Dec. 31, 2015	Note
Net income . . . . .	95,491	117,165	
Depreciation and amortization net of write-ups of non-current assets . . . . .	182,657	151,848	23.
Income taxes . . . . .	31,938	40,638	19.
Income tax paid . . . . .	– 18,580	– 29,940	
Interest income and expenses . . . . .	50,175	64,434	18.
Interest and dividends received . . . . .	4,161	4,674	
Interest paid . . . . .	– 50,548	– 69,886	
Result from investments measured at equity . . . . .	– 703	– 1,419	18.
Result from the disposals of non-current assets . . . . .	1,438	– 2,317	16./17.
Additions to / reversals of other non-current provisions . . . . .	3,127	6,125	35.
Currency translation income and expenses . . . . .	9,379	19,549	16./17.
Other non-cash expenses and gains <sup>(1)</sup> . . . . .	211,976	229,469	
<b>Gross cash flow . . . . .</b>	<b>520,511</b>	<b>530,340</b>	
Changes in inventories . . . . .	– 18,012	– 52,918	31.
Changes in trade accounts receivable . . . . .	1,248	– 12,889	28.
Changes in trade accounts payable . . . . .	5,038	– 25,765	37.
Changes in other net assets, unless attributable to investing or financing activities <sup>(1)</sup> . . . . .	– 175,263	– 127,020	
<b>Cash flow from operating activities . . . . .</b>	<b>333,522</b>	<b>311,748</b>	41.
Payments for investments in			
• intangible assets . . . . .	– 76,127	– 81,410	24.
• property, plant and equipment . . . . .	– 49,765	– 51,230	25.
• financial assets . . . . .	– 4,869	– 615	26.
• business combinations according to IFRS 3 . . . . .	– 52,901	– 56,778	8.
Proceeds from the disposal of			
• intangible assets . . . . .	4,000	4,689	24.
• property, plant and equipment . . . . .	6,142	832	25.
• financial assets . . . . .	—	498	26.
• shares in consolidated companies . . . . .	854	5,797	
<b>Cash flow from investing activities . . . . .</b>	<b>– 172,666</b>	<b>– 178,217</b>	41.
Borrowing of funds . . . . .	494,145	677,316	36.
Settlement of financial liabilities . . . . .	– 389,973	– 816,727	36.
Dividend distribution . . . . .	– 50,616	– 47,873	34.
Capital increase from share options . . . . .	—	28,224	34.
Changes in non-controlling interests . . . . .	1,623	3,918	34.
Changes in treasury shares . . . . .	58	53	34.
<b>Cash flow from financing activities . . . . .</b>	<b>55,237</b>	<b>– 155,089</b>	41.
<b>Changes in cash and cash equivalents . . . . .</b>	<b>216,093</b>	<b>– 21,558</b>	41.
Changes in cash and cash equivalents due to the scope of consolidation in accordance with IFRS 5 . . . . .	– 3,431	228	
Changes in cash and cash equivalents due to exchange rates . . . . .	– 3,260	299	
<b>Net change in cash and cash equivalents . . . . .</b>	<b>209,402</b>	<b>– 21,031</b>	32.
<b>Balance at beginning of the period . . . . .</b>	<b>143,178</b>	<b>164,209</b>	
<b>Balance at end of the period . . . . .</b>	<b>352,580</b>	<b>143,178</b>	

(1) Non-cash additions to accruals for discounts to health insurance organizations in 2016 in the amount of € 163.2 million (previous year: € 166.3 million) are recognized in gross cash flow and are therefore not included in changes in other net assets.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Consolidated Statement of Changes in Shareholders' Equity in € 000s 2016	Number of shares	Share capital	Capital reserve	Retained earnings including net income	Provisions for currency translation	Provisions available for sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group equity
<b>Balance as of Dec. 31, 2016</b> . . . . .	<b>62,342,440</b>	<b>162,090</b>	<b>514,189</b>	<b>673,253</b> -43,580	<b>-379,074</b>	<b>—</b>	<b>—</b>	<b>-1,418</b>	<b>969,040</b> -43,580	<b>78,065</b> -7,036	<b>1,047,105</b> -50,616
Dividend distribution . . . . .									—	—	—
Capital increase from share options. Changes in treasury shares. . . . .			18					40	58	—	58
Changes in retained earnings . . . . .									—	1,623	1,623
Changes in non-controlling interests									—		
Changes in the scope of consolidation . . . . .									—		—
Other income . . . . .				-4,415	-15,882		913		-19,384	1,403	-17,981
Net income . . . . .				85,904					85,904	9,587	95,491
<b>Balance as of Jan. 1, 2016</b> . . . . .	<b>62,342,440</b>	<b>162,090</b>	<b>514,171</b>	<b>635,344</b>	<b>-363,192</b>	<b>—</b>	<b>-913</b>	<b>-1,458</b>	<b>946,042</b>	<b>72,488</b>	<b>1,018,530</b>
<b>Previous year</b>											
<b>Balance as of Dec. 31, 2015</b> . . . . .	<b>62,342,440</b>	<b>162,090</b>	<b>514,171</b>	<b>635,344</b> -39,955	<b>-363,192</b>	<b>—</b>	<b>-913</b>	<b>-1,458</b>	<b>946,042</b> -39,955	<b>72,488</b> -7,919	<b>1,018,530</b> -47,874
Dividend distribution . . . . .									28,224		28,224
Capital increase from share options. Changes in treasury shares. . . . .	1,715,740	4,461	23,763					46	53		53
Adjustments previous year on current account . . . . .				1,177					1,177		1,177
Changes in retained earnings . . . . .									—	3,756	3,756
Changes in non-controlling interests									—		—
Changes in the scope of consolidation . . . . .				-92					-92		-92
Other income . . . . .				2,434	6,714	-22	1,054		10,180	2,602	12,782
Net income . . . . .				110,404					110,404	6,761	117,165
<b>Balance as of Jan. 1, 2015</b> . . . . .	<b>60,626,700</b>	<b>157,629</b>	<b>490,401</b>	<b>561,376</b>	<b>-369,906</b>	<b>22</b>	<b>-1,967</b>	<b>-1,504</b>	<b>836,051</b>	<b>67,288</b>	<b>903,339</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### General Information

#### 1. Corporate information

STADA Arzneimittel Aktiengesellschaft (STADA Arzneimittel AG) as the parent company of the STADA Group (hereafter referred to as “STADA”), based at Stadastrasse 2–18, 61118 Bad Vilbel, is an internationally-oriented company based in Germany and active throughout the world in the health care and pharmaceuticals markets, especially in the Generics and Branded Products segments.

The consolidated financial statements of STADA Arzneimittel AG for financial year 2016 were approved for publication by the Executive Board on March 27, 2017.

#### 2. Basis of preparation of the financial statements

The consolidated financial statements prepared for STADA Arzneimittel AG as parent company as of December 31, 2016, were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC), as applicable in the European Union (EU), as well as in accordance with the supplementary provisions pursuant to Section 315a(1) of the German Commercial Code (HGB).

The financial year corresponds to the calendar year. The separate financial statements of the companies included in the scope of consolidation are prepared as of the same reporting date as the consolidated financial statements.

The structure of the consolidated income statement follows the cost-of-sales method, according to which expenses incurred in generating sales are divided into functional areas. In the statement of comprehensive income, use was made of the option to present this separately from the consolidated income statement. The balance sheet classification distinguishes between non-current and current assets and liabilities, some of which are presented in detail in the notes according to their maturities.

The consolidated financial statements are prepared in euro. Unless otherwise indicated, figures in the notes are shown in euro thousands (€ 000s). Rounding is necessary, although this of course is not significant in its nature.

#### 3. Consequences of new or amended standards and interpretations

In financial year 2016, STADA observed and, if relevant, applied the pronouncements and amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable as of January 1, 2016. The changes had no or no significant effect on the presentation of STADA's net assets, financial position and results of operations.

**The following IFRS standards, which are not yet applicable, have been published by the IASB. Adoption into European law in accordance with IFRS 16 is still pending:**

In July 2014, IASB published the standard IFRS 9 “Financial Instruments”. IFRS 9 replaces IAS 39 and includes guidelines for the classification, recognition and valuation of financial instruments. Furthermore, IFRS 9 also includes guidelines on the accounting of hedging transactions. IFRS 9 is to be applied for financial years beginning on or after January 1, 2018. Earlier application is permitted. An examination of the impact of the application of IFRS 9 on the consolidated financial statements has not yet been completed. As a result of the new guidelines for the impairment of financial instruments, in some cases expected future losses may lead to earlier recognition of expenses.

In May 2014, the IASB published the new standard IFRS 15 “Revenue from Contracts with Customers”. IFRS 15 governs revenue recognition for contracts with customers in a 5-step model and in particular replaces the existing standards IAS 11 “Construction Contracts” and IAS 18 “Revenue”. IFRS 15 is to be applied for financial years beginning on or after January 1, 2018. Earlier application is permitted. An examination of the impact of the application of IFRS 15 on the consolidated financial statements has not yet been completed. However, the new standard on the realization of sales will have little impact on sales accounting, as sales are largely realized in the consolidated financial statements as a result of routine transactions. There are no agreements in the Group which regulate multiple services within one contract

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Consequences of new or amended standards and interpretations (Continued)

or within several contracts (multi-element arrangements). Changes may occur exclusively in the accounting of licensing agreements, which amounted to less than 2% of the total sales revenue in financial year 2016. However, this only affects license agreements which are not bound by the sales achieved by the licensee and which grant the licensee the right to use the license, without further actions by STADA being required. For such license agreements, as a result of the new IFRS 15 standard, in future sales will be realized in the amount of the entire license fee with the granting of a license and therefore not, as they are presently, divided over the term of the license.

In January 2016, the IASB published the new IFRS 16 “Leases” standard, which determines the recognition of contractual rights (assets) and obligations (financial liabilities) associated with leases in the balance sheet for lessees. Lessees are no longer required to classify leases as finance leases or operating leases. IFRS 16 is to be applied for financial years beginning on or after January 1, 2019. Earlier application is permitted. An examination of the impact of the application of IFRS 16 on the consolidated financial statements has not yet been completed. As a result of the accounting of assets and liabilities in the lessee’s balance sheet, as required by IFRS 16, an increase of the balance sheet total is expected at the point of initial application. Instead of leasing expenses, as a result of the changes from IFRS 16, future depreciation and amortization and interest expenses will be recorded in the income statement—with a corresponding positive impact on EBITDA.

From today’s perspective, no or no significant effects on the consolidated financial statements are expected from the future application of the further standards and interpretations not yet applied.

### 4. Changes in accounting policies

With the exception of the changed accounting policies listed in Note 3., there were no changes to accounting policies with significant consequences for the presentation of STADA’s net assets, financial position and results of operations or cash flow in financial year 2016.

### 5. Scope of consolidation

All significant subsidiaries, joint ventures and associates are included in the consolidated financial statements. Subsidiaries are companies that are directly or indirectly controlled by STADA and are therefore fully consolidated. Control exists if STADA Arzneimittel AG or its subsidiaries are in control of an investee, are exposed to variable backflows and, due to control over existing rights, are able to substantially influence the investee’s variable backflows. Control is usually substantiated by a share of voting rights of more than 50%.

Joint arrangements are characterized by joint control by two or more parties and should be classified as either joint operations or as joint ventures. In joint operations, the parties that exercise joint control possess the rights to assets and liabilities included in the agreement. In joint ventures, however, the parties involved possess rights to the company’s net assets. Joint ventures are to be included in the consolidated financial statements using the equity method.

Associates are companies over which STADA is able to exercise significant influence and which are not subsidiaries or joint ventures. They are included in the consolidated financial statements using the equity method.

Subsidiaries, joint ventures and associates whose influence, both individually and as a whole, on the net assets, financial position and results of operations situation of the STADA Group is immaterial, are not consolidated or accounted for using the equity method. Investments in these companies are accounted for either at fair value or at amortized cost under financial assets. Accumulated, the sales and balance sheet total of these companies make up about 1% of total Group sales and/or the balance sheet total.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Changes in the scope of consolidation resulted regarding the number of subsidiaries, joint ventures and associates included in financial year 2016 and are as follows:

<u>Number of companies in the scope of consolidation</u>	<u>Germany</u>	<u>Outside Germany</u>	<u>Total</u>
<b>January 1, 2016</b> . . . . .	<b>12</b>	<b>75</b>	<b>87</b>
Acquisitions . . . . .	—	3	3
Disposals . . . . .	—	2	2
<b>December 31, 2016</b> . . . . .	<b><u>12</u></b>	<b><u>76</u></b>	<b><u>88</u></b>

The acquisition of the Argentinian company Laboratorio Vannier S.A. was completed in accordance with corporate law in the first quarter of 2016. The initial consolidation of the company as a subsidiary occurred on January 1, 2016. In addition, the acquisition of the British company BSMW Limited was completed in accordance with corporate law and was consolidated as a subsidiary for the first time as of February 1, 2016.

Furthermore, the Finnish company Oy STADA Pharma Ab was deconsolidated in the second quarter of 2016 as a result of the completed liquidation.

In addition, the Egyptian company STADA Egypt Ltd. was deconsolidated due to liquidation initiated in the third quarter of 2016.

Furthermore, the British company Natures Aid was included in the scope of consolidation as a result of the acquisition in accordance with corporate law. The initial consolidation was on November 21, 2016.

In the consolidated financial statements of the STADA Group, 84 companies were consolidated as subsidiaries and four companies as associates as of the reporting date on December 31, 2016.

As in the previous year, the aforementioned chart includes BIOCEUTICALS Arzneimittel AG, which is included in the consolidated financial statements as an associate according to the equity method. STADA holds 15.86% of the shares in this company. The significant influence is therefore not directly due to the amount of shares held, but instead is a result of STADA's representation in the supervisory body of BIOCEUTICALS as well as distribution rights granted for Epo-zeta in Germany through cell pharm Gesellschaft für pharmazeutische Präparate mbH and the associated significant business transactions.

As in the previous year, the aforementioned chart also includes both French companies Pharm Ortho Pedic SAS and AELIA SAS, pursuant to shareholdings of 25.0% and 20.0% acquired by STADA, which are included in the consolidated financial statements as an associate in accordance with the equity method. The initial inclusion of the Russian Dialogfarma LLC as an associate took place as of August 1, 2015. The following condensed financial information is given for these four associates:

<u>in € million</u>	<u>2016</u>	<u>2015</u>
Share of result from continuing operations . . . . .	0.7	1.4
Share of result from discontinued operations . . . . .	—	—
Share of other comprehensive income . . . . .	—	—
<b>Share of comprehensive income</b> . . . . .	<b>0.7</b>	<b>1.4</b>
<b>Aggregate carrying amount</b> . . . . .	<b>13.9</b>	<b>13.2</b>

There are significant non-controlling interests in the Vietnamese subsidiaries Pymepharco Joint Stock Company and STADA Vietnam J.V. Co. of the STADA Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

In the following, the influence of other shareholders in these subsidiaries as of December 31, 2016 is presented:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2016 in € 000s	Accumulated non-controlling shares as of Dec. 31, 2016 in € 000s
Pymepharco . . . . .	Vietnam	41%	3,459	32,114
STADA Vietnam . . . . .	Vietnam	50%	4,935	32,266

The disclosures for the previous year are as follows:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2015 in € 000s	Accumulated non-controlling shares as of Dec. 31, 2015 in € 000s
Pymepharco . . . . .	Vietnam	41%	2,185	27,983
STADA Vietnam . . . . .	Vietnam	50%	3,633	31,137

In the following, the financial information of both subsidiaries as of December 31, 2016 and for financial year 2016 is summarized:

in € 000s	Assets as of Dec. 31, 2016		Liabilities as of Dec. 31, 2016	
	current	non-current	current	non-current
Pymepharco . . . . .	54,332	52,465	7,652	9,887
STADA Vietnam . . . . .	44,111	39,482	6,087	7,715

in € 000s	Sales	Earnings after taxes in 2016		Total earnings in 2016	Dividends to non-controlling interests in 2016
		distributable to STADA	distributable to non-controlling interests		
Pymepharco . . . . .	60,576	4,978	3,459	10,370	1,623
STADA Vietnam . . . . .	41,856	4,935	4,935	11,515	4,561

For the previous year, the following disclosures are made regarding the summarized financial information:

in € 000s	Assets as of Dec. 31, 2015		Liabilities as of Dec. 31, 2015	
	current	non-current	current	non-current
Pymepharco . . . . .	57,079	40,712	8,743	10,159
STADA Vietnam . . . . .	45,771	36,466	6,281	8,558

in € 000s	Sales	Earnings after taxes in 2015		Total earnings in 2015	Dividends to non-controlling interests in 2015
		distributable to STADA	distributable to non-controlling interests		
Pymepharco . . . . .	53,849	3,033	2,185	8,192	2,249
STADA Vietnam . . . . .	55,827	3,594	3,633	9,982	4,863

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Subsidiaries, joint ventures and associates as well as all non-consolidated and other investments are included in the consolidated financial statements as investments and listed below.

Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
AO Nizhpharm, Nizhny Novgorod, Russia . . . . .	100%	subsidiary
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany . . . . .	15.86%	associate
Cicum Farma, Unipessoal, LDA, Paco de Arcos, Portugal . . . . .	100%	subsidiary
Crinos S.p.A., Milan, Italy . . . . .	96.77%	subsidiary
EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, France . . . . .	100%	subsidiary
EG S.p.A., Milan, Italy . . . . .	98.87%	subsidiary
Grunenthal Ukraine LLC, Kiev, Ukraine <sup>(1)</sup> . . . . .	100%	not included
Laboratorio STADA, S.L., Barcelona, Spain . . . . .	100%	subsidiary
Laboratorio Vannier S.A., Buenos Aires, Argentina . . . . .	85%	subsidiary
Mobilat Produktions GmbH, Pfaffenhofen, Germany . . . . .	100%	subsidiary
OOO Hemofarm, Obninsk, Russia . . . . .	10%	subsidiary
OOO STADA Marketing, Nizhny Novgorod, Russia . . . . .	10%	subsidiary
SCIOTEC Diagnostics Technologies GmbH, Tulln, Austria . . . . .	100%	subsidiary
STADA Aesthetics Belgique (BVBA), Zaventem, Belgium . . . . .	100%	not included
STADA Aesthetics Deutschland GmbH, Bad Homburg, Germany . . . . .	100%	not included
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria . . . . .	100%	subsidiary
STADA d.o.o., Ljubljana, Slovenia . . . . .	100%	subsidiary
STADA d.o.o., Zagreb, Croatia . . . . .	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt <sup>(2)</sup> . . . . .	83.33%	not included
STADA (Shanghai) Company Management Consulting Co. Ltd., Shanghai, China . . . . .	100%	not included
STADA GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA LUX S.à R.L., Luxembourg, Luxembourg . . . . .	100%	not included
STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria . . . . .	100%	subsidiary
STADA PHARMA CZ s.r.o., Prague, Czech Republic . . . . .	100%	subsidiary
STADA Pharma International GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India . . . . .	85%	not included
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia . . . . .	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China . . . . .	100%	subsidiary
STADA Pharmaceuticals Australia Pty. Ltd., Sydney, Australia . . . . .	100%	not included
STADA Poland Sp. z o.o., Piaseczno, Poland . . . . .	100%	subsidiary
STADA Service Holding B.V., Etten-Leur, Netherlands . . . . .	100%	subsidiary
STADapharm GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA UK Holdings Ltd., Reading, United Kingdom . . . . .	100%	subsidiary

(1) Currently in the process of liquidation.

(2) Currently in the process of liquidation. Deconsolidation as of September 30, 2016.

Indirect investments of STADA Arzneimittel AG through EG Labo - Laboratoires Eurogenerics SAS:

Name of the company, registered office	Share in capital	Form of consolidation
AELIA SAS, Saint Brieuc, France . . . . .	20%	associate
Pharm Ortho Pedic SAS, Trélazé, France . . . . .	25%	associate



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
BSMW Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Clonmel Healthcare Ltd., Clonmel, Ireland . . . . .	100%	subsidiary
Fresh Vape Electronic Cigarettes Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Internis Pharmaceuticals Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Lowry Solutions Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Natures Aid Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Pegach AG, Egerkingen, Switzerland . . . . .	100%	subsidiary
Slam Trading Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Socialites E-Commerce Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Socialites Retail Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Sundrops Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Thornton & Ross Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and Thornton & Ross Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
LCM Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Thornton & Ross Ireland Ltd., Clonmel, Ireland . . . . .	100%	subsidiary
Zeroderma Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Slam Trading Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
LAS Trading Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Socialites Nederlands B.V., Beuningen, Netherlands . . . . .	100%	subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
ALIUD PHARMA GmbH, Laichingen, Germany . . . . .	100%	subsidiary
Blitz F15-487 GmbH, Bad Vilbel, Germany . . . . .	100%	not included
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
Crinos S.p.A., Milan, Italy . . . . .	3.23%	subsidiary
Croma Medic, Inc., Manila, Philippines . . . . .	100%	subsidiary
EG S.p.A., Milan, Italy . . . . .	1.13%	subsidiary
Grippostad GmbH, Bad Vilbel, Germany . . . . .	100%	not included
Laboratorio Vannier S.A., Buenos Aires, Argentina . . . . .	15%	subsidiary
Nizhpharm-Ukraine DO, Kiev, Ukraine . . . . .	100%	subsidiary
STADA Aesthetics AG, Bottighofen, Switzerland . . . . .	100%	not included
PharmaSwyzz Deutschland GmbH, Bad Homburg, Germany . . . . .	100%	not included
STADA CEE GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt <sup>(1)</sup> . . . . .	16.67%	not included
STADA Nordic ApS, Herlev, Denmark . . . . .	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India . . . . .	15%	not included
STAdata LLC, Kiev, Ukraine . . . . .	100%	not included
STADA (Thailand) Company, Ltd., Bangkok, Thailand . . . . .	60%	subsidiary
STADAvita GmbH, Bad Homburg, Germany . . . . .	100%	subsidiary

(1) Currently in the process of liquidation. Deconsolidation as of September 30, 2016.

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH and through STADA Aesthetics AG:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA Aesthetics Italia S.R.L., Verona, Italy . . . . .	100%	not included
STADA Aesthetics UK Limited, West Wickham, United Kingdom . . . . .	100%	not included

Indirect investments of STADA Arzneimittel AG through STADA GmbH:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA Medical GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Centrafarm Nederland B.V., Etten-Leur, Netherlands . . . . .	100%	subsidiary
Hemofarm A.D., Vrsac, Serbia . . . . .	100%	subsidiary
Pympharco Joint Stock Company, Tuy Hoa, Vietnam . . . . .	49%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium . . . . .	90%	subsidiary
STADA MENA DWC-LLC, Dubai, United Arab Emirates . . . . .	100%	subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and through Centrafarm Nederland B.V.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Centrafarm Services B.V., Etten-Leur, Netherlands . . . . .	100%	subsidiary
Healthypharm B.V., Etten-Leur, Netherlands . . . . .	100%	subsidiary
HTP Huisapotheek B.V., Etten-Leur, Netherlands . . . . .	100%	subsidiary
Quatropharma Holding B.V., Etten-Leur, Netherlands . . . . .	100%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium . . . . .	10%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., through Centrafarm Nederland B.V. and through Quatropharma Holding B.V.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Centrafarm B.V., Etten-Leur, Netherlands . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA Import/Export International Ltd., Hong Kong, China . . . . .	51%	subsidiary
STADA Pharmaceuticals (Beijing) Ltd., Beijing, China . . . . .	83.35%	subsidiary
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam . . . . .	50%	subsidiary
Well Light Investment Services JSC, Ho Chi Minh City, Vietnam . . . . .	49%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd. and through Well Light Investment Services JSC:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam . . . . .	10%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and through Pymepharco JSC and/or indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd., through Well Light Investment Services JSC and through Pymepharco JSC:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Dak Nong Pharmaceutical JSC, Dak Nong, Vietnam . . . . .	43%	not included
Phu Yen Export Import Pharmaceutical JSC, Phu Yen, Vietnam . . . . .	20%	not included
Quang Tri Pharmaceutical JSC, Quang Tri, Vietnam . . . . .	37.44%	not included

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Clonmel Healthcare Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
CNRD 2009 Ireland Ltd., Dublin, Ireland . . . . .	50%	not included
Crosspharma Ltd., Belfast, United Kingdom . . . . .	100%	subsidiary
Genus Pharmaceuticals Holdings Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
STADA Financial Investments Ltd., Clonmel, Ireland . . . . .	100%	subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd., through Clonmel Healthcare Ltd. and through Genus Pharmaceuticals Holdings Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Britannia Pharmaceuticals Ltd., Reading, United Kingdom . . . . .	100%	subsidiary
Genus Pharmaceuticals Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd., through Clonmel Healthcare Ltd., through Genus Pharmaceuticals Holdings Ltd. and through Britannia Pharmaceuticals Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Brituswip Ltd., Reading, United Kingdom . . . . .	50%	not included

Indirect investments of STADA Arzneimittel AG through AO Nizhpharm:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
000 Dialogfarma, Moscow, Russia . . . . .	50%	associate
Nizhpharm-Kazakhstan TOO DO, Almaty, Kazakhstan . . . . .	100%	subsidiary
OOO Aqualor, Moscow, Russia . . . . .	100%	subsidiary
OOO Hemofarm, Obninsk, Russia . . . . .	90%	subsidiary
OOO STADA CIS, Nizhny Novgorod, Russia . . . . .	100%	subsidiary
OOO STADA Marketing, Nizhny Novgorod, Russia . . . . .	90%	subsidiary
OOO STADA PharmDevelopment, Nizhny Novgorod, Russia . . . . .	100%	subsidiary
STADA M&D S.r.L., Bucharest, Romania . . . . .	100%	subsidiary
UAB STADA-Nizhpharm-Baltija, Vilnius, Lithuania . . . . .	100%	subsidiary
ZAO Makiz-Pharma, Moscow, Russia . . . . .	100%	subsidiary
ZAO Skopinpharm, Ryazanskaya obl., Russia . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through Ciclum Farma, Unipessoal, LDA:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA, LDA, Paco de Arcos, Portugal . . . . .	98%	not included

Indirect investments of STADA Arzneimittel AG through Laboratorio STADA, S.L.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA Genericos, S.L., Barcelona, Spain . . . . .	100%	not included
STADA, LDA, Paco de Arcos, Portugal . . . . .	2%	not included

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and through Hemofarm A.D.:

Name of the company, registered office	Share in capital	Form of consolidation
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina . . . . .	91.50%	subsidiary
Hemofarm Komerc d.o.o., Skopje, Macedonia <sup>(1)</sup> . . . . .	99.18%	not included
Hemofarm S.à.R.L., Constantine, Algeria . . . . .	40%	not included
Hemomont d.o.o., Podgorica, Montenegro . . . . .	71.02%	subsidiary
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, Germany	100%	subsidiary
Jinan Pharmaceuticals Co., Jinan, China . . . . .	35.50%	not included
STADA HEMOFARM S.R.L., Temeswar, Romania . . . . .	100%	subsidiary
STADA IT Solutions d.o.o., Belgrade, Serbia . . . . .	100%	subsidiary
Velefarm A.D., Belgrade, Serbia . . . . .	19.65%	not included
Vetfarm A.D., Belgrade, Serbia . . . . .	15%	not included

(1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Pegach AG:

Name of the company, registered office	Share in capital	Form of consolidation
Spirig HealthCare AG, Egerkingen, Switzerland . . . . .	100%	subsidiary

The exemption rule stated in Section 264 (3) HGB was applied to ALIUD PHARMA GmbH, BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, STADA GmbH, STADA Medical GmbH, STADA CEE GmbH, STADApHarm GmbH, STADAvita GmbH, STADA Pharma International GmbH and Mobilat Produktions GmbH.

### 6. Principles for the consolidation of subsidiaries, joint ventures and associates

According to IFRS, business combinations are to be accounted for using the acquisition method. Assets, liabilities and contingent liabilities from business combinations are generally recognized in full - irrespective of the amount of the shareholding—as of the acquisition date at their fair values. If the historical costs of the subsidiary acquired exceed the proportionate newly measured net assets of the acquiree, STADA recognizes the positive difference as goodwill. After critical examination of the premises underlying the purchase price allocation, a negative difference is recognized through profit or loss in the period of the acquisition. In a business combination achieved in stages, it is necessary to carry out a revaluation through profit or loss of the shares previously held at the date control was achieved. The shares of non-controlling interests are reported in the amount of their share in net assets of the subsidiary.

The acquisition of additional shares from an existing controlling position in a subsidiary is recognized through other comprehensive income in accordance with IFRS 10, as it is a transaction between the equity investors.

Subsidiaries are generally included in the consolidated financial statements from the acquisition date to the end of control by the parent company. Receivables and financial liabilities, expenses and income, as well as earnings between the companies included in the consolidated financial statements are eliminated, intragroup value allowances and provisions are released. If these consolidation measures result in deviations between the IFRS carrying amounts and the tax base of assets and liabilities, deferred tax liabilities are recognized.

Shares in associates are recognized according to the equity method at historical cost on the date when joint control is established (joint ventures) or when significant influence was established (associate) and carried forward from this date in the amount of the proportionate share of earnings in the financial year. A positive difference determined during the purchase price allocation is recognized as goodwill in the



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Principles for the consolidation of subsidiaries, joint ventures and associates (Continued)

carrying amount of the investment in the associate. A negative difference is recognized in income in the period of the acquisition in the results from associates. Profit and loss from transactions with associates is recognized in the consolidated financial statements only according to the share of minority interests.

If indications arise from the application of IAS 39 that the carrying amount determined using the equity method might be impaired, an impairment test is carried out and, if applicable, an impairment loss in the amount of the difference between the carrying amount and the recoverable amount is recognized. The recoverable amount is the higher of the fair value less cost to sell and the value in use of the shares in an associate.

### 7. Currency translation

The functional currency of STADA Arzneimittel AG is the euro and represents the reporting currency of the Group.

In the separate financial statements of companies included in the consolidated financial statements, foreign currency transactions are translated into the functional currency at the exchange rate applicable at the time of the transactions. On every reporting date, monetary items are translated using the closing rate and non-monetary items are translated using the transaction rate. Resulting currency translation differences are recognized in income as exchange gains or losses.

The translation of the companies included in the consolidated financial statements with a functional currency other than the euro into the Group functional currency is carried out using the closing rate method. Assets and liabilities are generally translated using the closing rate, while individual components of equity are translated using the historical rates at their respective dates of inflow from the Group's perspective. The income and expenses of the income statements are translated—and also the resulting translation of the annual results to be entered in equity—using the average exchange rate of the period.

Currency translation differences arising from the use of different foreign exchange rates are recognized through other comprehensive income in the equity in the “reserves for currency translation”. These reserves are released and recognized in income if Group companies leave the scope of consolidation.

The exchange rate development of currencies important to STADA to the euro can be seen in the following chart:

Significant currency relations in local currency to € 1	Closing rate on Dec. 31 in local currency			Average rate for the reporting period		
	2016	2015	± %	2016	2015	± %
Pound sterling . . . . .	0.85620	0.73390	+17%	0.81886	0.72604	+13%
Swiss franc . . . . .	1.07390	1.08350	– 1%	1.09018	1.06764	+2%
Russian ruble . . . . .	64.30000	80.67360	– 20%	74,22592	68.01339	+9%
Serbian dinar . . . . .	123.47230	121.62610	+2%	123,10467	120.75718	+2%
Ukrainian hryvnia . . . . .	28.42260	26.05560	+9%	28.28164	24.22888	+17%
US dollar . . . . .	1.05410	1.08870	– 3%	1.10660	1.10970	0%

### 8. Business combinations

In financial year 2016, the following significant business combinations in accordance with IFRS 3 occurred for which the preliminary purchase price allocation is described in more detail below.

In the first quarter of 2016, the purchase price allocation for the British Socialites group based in Chesterfield and acquired in the fourth quarter of 2015 was finalized. STADA achieved control upon conclusion of the contract on December 4, 2015. The purchase price for the acquisition amounted to GBP 21.0 million and was paid in cash or cash equivalents.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations (Continued)

In the context of the final purchase price allocation, goodwill in the amount of € 16.6 million resulted from this business combination and was broken down as follows:

#### in € million

Purchase price for 100% of the shares of the company approx. ....	29.5
Proportionate fair values of the assets and liabilities acquired approx. ....	12.9
<b>Goodwill</b> .....	<b>16.6</b>

Goodwill primarily resulted from an expansion of company presence and sales activities in the British market in the Branded Products segment.

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

#### Fair values in € million

Intangible assets .....	13.9
Other non-current assets .....	0.4
Inventories .....	2.8
Other current assets .....	1.5
<b>Assets</b> .....	<b>18.6</b>
Deferred tax liabilities .....	2.8
Other non-current liabilities .....	0.0
Trade payables .....	2.1
Other current financial liabilities .....	0.8
<b>Liabilities</b> .....	<b>5.7</b>

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the evaluation of acquired assets and liabilities assumed.

Sales generated in the Branded Products segment with the Socialites group amounted to around € 10.1 million in financial year 2016. The operating profit of this business combination adjusted for the effects of the purchase price allocation (around € 1.9 million) amounted to around € 0.8 million in the reporting year.

In order to strengthen the Generics segment, STADA and the STADA subsidiary BEPHA Beteiligungsgesellschaft für Pharmawerte mbH signed a contract for the purchase of the Argentinian generics producer Laboratorio Vannier in the fourth quarter of 2015. The purchase price amounted to USD 13.0 million (according to the foreign exchange rate at the date of acquisition approx. € 11.9 million) and was or will be paid in cash or cash equivalents. This includes certain conditional purchase price components, which are to be paid upon reaching a fixed earnings figure. This is guaranteed to reach a minimum of USD 1 million, with a maximum of USD 1.5 million. The seller was a private individual. The purchase was completed in the first quarter of 2016. STADA achieved control on January 4, 2016.

In the context of the purchase price allocation completed in the third quarter of 2016, goodwill in the amount of € 5.9 million resulted from this business combination and was broken down as follows:

#### in € million

Purchase price for 100% of the shares of the company approx. ....	11.9
Proportionate fair values of the assets and liabilities acquired approx. ....	6.0
<b>Goodwill</b> .....	<b>5.9</b>

Goodwill primarily resulted from the expansion of the international sales network in a country in which the STADA Group had not yet been represented with its own sales company in the Generics segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations (Continued)

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

#### Fair values in € million

Intangible assets . . . . .	5.6
Other non-current assets . . . . .	0.2
Inventories and other current assets . . . . .	2.5
Cash and cash equivalents . . . . .	<u>1.2</u>
<b>Assets . . . . .</b>	<b><u>9.5</u></b>
Deferred tax liabilities . . . . .	1.9
Other non-current liabilities . . . . .	0.2
Other current financial liabilities . . . . .	<u>1.4</u>
<b>Liabilities . . . . .</b>	<b><u>3.5</u></b>

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the evaluation of acquired assets and liabilities assumed.

Sales generated in the Generics segment with Laboratorio Vannier amounted to around € 7.8 million in financial year 2016. The operating profit of this business combination, adjusted for the effects of the purchase price allocation (around € 0.2 million), amounted to around € 0.9 million in the reporting year.

In the first quarter of 2016, STADA acquired the British BSMW, based in Stockport. STADA achieved control upon conclusion of the contract on February 5, 2016. The purchase price for the acquisition amounted to GBP 3.4 million and was completely paid in cash or cash equivalents.

In the context of the final purchase price allocation in the first quarter of 2016, goodwill in the amount of € 3.5 million resulted from this business combination and was broken down as follows:

#### in € million

Purchase price for 100% of the shares of the company approx. . . . .	4.4
Proportionate fair values of the assets and liabilities acquired approx. . . . .	0.9
<b>Goodwill . . . . .</b>	<b>3.5</b>

Goodwill primarily resulted from an expansion of presence and sales activities in the British market in the Branded Products segment.

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

#### Fair values in € million

Property, plant and equipment . . . . .	0.1
Inventories . . . . .	0.3
Other current assets . . . . .	0.2
Cash and cash equivalents . . . . .	<u>0.6</u>
<b>Assets . . . . .</b>	<b><u>1.2</u></b>
Deferred tax liabilities . . . . .	0.0
Other current financial liabilities . . . . .	<u>0.3</u>
<b>Liabilities . . . . .</b>	<b><u>0.3</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations (Continued)

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the evaluation of acquired assets and liabilities assumed.

Sales generated in the Branded Products segment with BSMW amounted to around € 3.9 million in the eleven months since the initial consolidation. The operating profit of this business combination adjusted for the effects of the purchase price allocation (around € 0.2 million) amounted to around € 2.1 million in the reporting year. If STADA had acquired BSMW on January 1, 2016, sales of around € 4.2 million and operating profit, adjusted for effects from the purchase price allocation (around € 0.2 million), of around € 2.3 million would have been achieved on a straight-line basis in 2016.

In the third quarter of 2016, the Serbian subsidiary of STADA Arzneimittel AG, Hemofarm A.D., acquired a local product portfolio that primarily includes drugs for treating inflammations of the gastrointestinal tract, including the related processes.

The purchase price for the acquisition of the product portfolio including the associated sales structure amounted to a total of € 21.6 million and will be or has already been completely paid in cash or cash equivalents. The acquisition includes a portfolio of 50 product presentations for the sales in Serbia, Bosnia-Herzegovina, Macedonia and Montenegro, the corresponding IP rights and license agreements and a local production and packaging facilities. In addition, Hemofarm will take over 104 employees. STADA achieved control upon conclusion of the contract on August 1, 2016, as a result of which the acquired business has been consolidated within the STADA Group since August 1, 2016.

In the context of the final purchase price allocation, goodwill in the amount of € 0.4 million resulted from this business combination and was broken down as follows:

#### in € million

Purchase price for 100% of the shares of the company approx. ....	21.6
Proportionate fair values of the assets and liabilities acquired approx. ....	21.2
<b>Goodwill</b> .....	<b>0.4</b>

Goodwill resulted primarily from the expansion of STADA's presence and sales activities in the Branded Products segment, particularly in the Serbian market.

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

#### Fair values in € million

Intangible assets .....	18.4
Property, plant and equipment .....	2.7
Deferred tax assets .....	0.1
<b>Assets</b> .....	<b>21.2</b>
<b>Liabilities</b> .....	<b>0.0</b>

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the evaluation of acquired assets and liabilities assumed.

The acquired sales amounted to approx. € 3.5 million in the five months after initial consolidation. The operating profit of this business combination adjusted for the effects of the purchase price allocation (around € 0.7 million) amounted to around € 1.5 million in the reporting year. If STADA had acquired the Serbian product portfolio on January 1, 2016, sales of around € 8.4 million and operating profit, adjusted for effects from the purchase price allocation (around € 1.7 million), of around € 3.6 million would have been achieved on a straight-line basis in 2016.

During the negotiations with the seller of the rights for the product portfolio, Hemofarm A.D. acquired inventories for a purchase price of € 1.9 million in May 2016. This will be settled entirely in cash. The

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations (Continued)

corresponding obligation was recognized as trade payables. Since the acquisition date, the acquired inventories have been billed to third-party customers.

In the fourth quarter of 2016, STADA acquired the British Natures Aid, based in Preston. STADA achieved control upon conclusion of the contract on November 21, 2016. The purchase price for the acquisition amounted to GBP 16.8 million and was completely paid in cash or cash equivalents.

In the context of the final purchase price allocation, goodwill in the amount of € 4.7 million resulted from this business combination and was broken down as follows:

#### in € million

Purchase price for 100% of the shares of the company approx. ....	19.4
Proportionate fair values of the assets and liabilities acquired approx. ....	14.7
<b>Goodwill</b> .....	<b>4.7</b>

Goodwill primarily resulted from an expansion of the presence and sales activities in the Branded products segment, particularly within the nutritional supplements area.

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

#### Fair values in € million

Intangible assets .....	12.3
Property, plant and equipment .....	1.1
Inventories .....	1.7
Trade receivables .....	1.0
Other noncurrent assets .....	0.2
Cash and cash equivalents .....	2.6
<b>Assets</b> .....	<b>18.9</b>
Deferred tax liabilities .....	2.4
Other current liabilities .....	1.8
<b>Liabilities</b> .....	<b>4.2</b>

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the evaluation of acquired assets and liabilities assumed.

Sales generated in the Branded Products segment with Natures Aid amounted to around € 1.2 million in the first month and a half of 2016 since the initial consolidation. The operating profit of this business combination adjusted for the effects of the purchase price allocation (around € 0.2 million) amounted to around € 0.3 million in the reporting year. If STADA had acquired British branded product company on January 1, 2016, sales of around € 9.9 million and operating profit, adjusted for effects from the purchase price allocation (around € 1.4 million), of around € 2.0 million would have been achieved on a straight-line basis in 2016.

As part of the negotiations with the seller of the company, parallel to the agreed merger, Natures Aid acquired the building belonging to the production location and the site at a purchase GBP 1.7 million. The purchase price was fully paid by the company in cash and cash equivalents.

The Serbian subsidiary of STADA Arzneimittel AG, Hemofarm A.D., acquired Serbian pharmaceutical wholesaler Velefarm d.o.o. Beograd, based in Belgrade, Serbia, to strengthen the business activities on the Serbian market. The acquisition was completed with the aim of vertical integration in the Serbian market. The purchase price for the acquisition will total a maximum of € 1.0 million and will be or has already been fully paid in cash or cash equivalents. The purchase was completed on January 6, 2017 after the competition authorities approved the purchase contract signed in October 2016. The purchase price allocation is not yet finalized. In financial year 2016, the company achieved sales of € 33.6 million and a



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations (Continued)

profit of approximately € 0.1 million. Total assets amounted to approximately € 30.2 million at the end of financial year 2016, which primarily related to the net current assets. Business relationships with Serbian Hemofarm A.D. had already existed before the acquisition. In financial year 2016, these sales amounted to € 8.9 million.

### 9. Accounting policies

STADA's consolidated financial statements are based on uniform financial reporting policies. The basis for these are the accounting requirements which are mandatory for all companies included in the consolidated financial statements and which are described in more detail below.

**Sales** are recognized when goods have been delivered or services rendered, provided that it is probable that measurable economic benefits will flow to the entity and that the significant risks and rewards of ownership have been transferred to the buyer. It must also be possible to reliably measure the Company's own costs incurred or to be incurred.

Sales are recognized before taxes and after deduction of revenue reductions (rebates or discounts) at fair value of the consideration received or receivable. Expenses from the creation of provisions for warranties are deducted from sales on the basis of estimated amounts. The estimates are based on experience regarding amounts used in the past. The estimated expense from the creation of provisions is determined as a percentage of sales. Discounts to health insurance organizations are also recognized with a reduction on sales based on the respective contract in force.

Income and expenses from the same transactions are generally accounted in the same period. Expenses related to accruals for future revenue reductions are thus recorded in the period in which the sales are realized.

**Cost of sales** includes the costs of conversion of the products sold and the purchase price of commercial goods sold or given free of charge. The expense is recognized in the period in which the associated income is realized. In addition, cost of sales also includes costs directly attributable to commercial goods (e.g. cost of materials and personnel expenses), overheads (e.g. depreciation of production equipment and regulatory drug approvals and licenses) as well as valuation allowances of excess or obsolete inventories.

**Research expenses** are costs that are incurred in relation to the research activity of a company that aims to provide new scientific or technical findings. The product portfolio of the STADA Group continues to focus on products that do not require the Group to conduct its own research. As in previous years, no research expenses were incurred in financial year 2016.

**Development costs** consist of expenses involved initially in the technical implementation of theoretical discoveries in production and production processes and ultimately their commercial implementation.

As a rule, the objective of a development process at STADA is to obtain national or multinational regulatory drug approval. Development costs relative to approvals for new drugs obtained by STADA result in capitalization as intangible assets if all the following preconditions are met:

- It is technically possible to complete the asset (generally, achieve regulatory drug approval), enabling it to become available for use or sale.
- The intention and ability, as well as the necessary resources, exist to complete the asset and to use or sell it in the future.
- The intangible asset provides the Group with a future economic benefit.
- It must be possible to reliably determine the development costs of the intangible asset.

STADA immediately recognizes development costs not eligible for capitalization as expense in the periods in which they are incurred. These include expenses for technical and regulatory maintenance of products marketed.

**Interest income** is reported in the income statement as a component of financial income. In this regard, both interest income and interest expenses for all financial instruments measured at amortized cost as well as interest-bearing financial assets classified as available for sale are recognized on the basis of the effective interest rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

Dividends received from companies not included in the consolidated financial statements are disclosed within the investment income. This shall be recognized when the shareholder's right to receive payment is established.

**Income taxes** include actual taxes on income as well as deferred tax liabilities. The tax receivables and liabilities recognized in the balance sheet include demands or liabilities for income taxes in Germany and outside Germany from financial year 2016 as well as from previous years, if applicable. The tax receivables and liabilities are calculated on the basis of tax rates effective as of the reporting date or known and already concluded for the future in the countries in which the taxable profit is generated.

Deferred tax liabilities are created for temporary differences between the tax base of the assets or liabilities and their valuation rate in the IFRS financial statements as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that a taxable profit will result against which the temporary difference can be utilized. Deferred tax liabilities are recognized for temporary differences taxable in the future. STADA determines deferred taxes on the basis of tax rates applicable at the reporting date or those that have already been resolved and communicated for the future. Deferred tax receivables and liabilities are offset if these relate to the same taxation authority.

The tax expense in the period is recognized in the income statement, provided the changes in value that are recognized directly in equity are not affected. To the extent that there are changes in the tax rate with an effect on deferred taxes, the resulting effects are recognized in the period in which they arise.

**Goodwill** is not amortized over the period of useful life. Instead, an impairment test is performed at least once per year (impairment-only approach). For this purpose, goodwill is allocated to cash-generating units aggregated into operating segments, where a cash-generating unit corresponds to one of the two operating segments of the STADA Group for the purpose of an impairment test of goodwill.

STADA carries out impairment tests for capitalized goodwill at least once a year. Additional reviews also take place if indications of impairment become apparent. During the impairment test, the carrying amount of each cash-generating unit is compared with its recoverable amount. The carrying amount of a cash-generating unit comprises the carrying amounts of all assets and liabilities attributable to the valuation unit including the carrying amount of goodwill to be tested. If the recoverable amount of a cash-generating unit is lower than the carrying amount, an impairment loss results. The recoverable amount is generally defined as the higher of the fair value less costs to sell, if measurable, and the value in use of the cash-generating unit. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. Significant assumptions made in order to determine the value in use include assumptions regarding sales development, regulatory conditions, investments, the discount rate, currency relations as well as the growth rate. These assumptions are made individually according to the individual situations for every cash-generating unit and are partly based on internally determined assumptions that both reflect past experience and include external market data.

**Other intangible assets** with determinable useful lives are recognized at cost and amortized on a straight-line basis over the period of their useful life. Amortization shall begin when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the intended manner. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for drug approvals or in preparation of drug approvals, software, concessions, property rights and similar rights is between three and 30 years. If on the reporting date, there are indications that these assets are impaired, the recoverable amount of the asset is re-evaluated and impairment losses are recognized according to the difference to the carrying amount. If the reasons for recognizing an impairment loss cease to exist, corresponding write-ups are carried out up to a maximum of the amortized cost.

Intangible assets with indeterminable useful lives are not amortized. In the context of annual impairment tests and additionally in all cases where there are indications of impairment, the recoverable amounts of these assets are compared with their carrying amounts and if necessary, an impairment loss is recognized. For this purpose, the fair value of the asset less costs to sell was determined using the relief from royalty method. At STADA, this affects the umbrella brand Hemofarm capitalized in the context of the acquisition

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

of the Hemofarm group, the umbrella brand Pymepharco capitalized in the context of achieving control over Pymepharco, and the umbrella brand Vannier capitalized in the context of the acquisition of Laboratorio Vannier. Intangible assets that are not yet available for use are also generally put through annual impairment tests. Furthermore, in each reporting period, an audit is carried out to check whether the reasons for recognizing an indefinite useful life continue to exist.

Internal development costs are capitalized according to the criteria of IAS 38. Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs, external services and directly allocable overheads. Internally created intangible assets are amortized on a straight-line basis over their useful life, generally 20 years.

**Property, plant and equipment** is reported at cost less depreciation and any impairment losses plus write-ups. Depreciation shall begin when the asset is available for use and is accordingly in the condition necessary for it to be capable of operating. Subsequent acquisition costs are capitalized. Capitalization requires that a future economic benefit will flow to the company and that the cost of the asset can be reliably measured. Expenses for repairs and maintenance that do not represent significant replacement investments are recognized as expenses in the financial year in which they are incurred.

Items of property, plant and equipment are depreciated according to their useful life using the straight-line method. The depreciation period may be up to 50 years in the case of buildings, eight to 20 years in the case of technical facilities and three to 14 years for other plant and office furniture and equipment. The component approach, according to which every significant component of property, plant and equipment with different useful lives must be depreciated separately, is not applied at STADA due to a lack of relevance. To the extent necessary, impairment losses are recognized pursuant to IAS 36; these are reversed if the reasons for the original recognition of an impairment loss no longer exist.

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized as part of the cost of the intangible asset and property, plant and equipment. Other borrowing costs are not capitalized. Where acquisitions are made in a currency other than the respective functional currency, subsequent changes in exchange rates have no impact on the recording of original historical costs.

**Impairments on other intangible assets and property, plant and equipment** exist when the recoverable amount of an asset is lower than its carrying amount. At each reporting date, STADA assesses whether indications for impairment are apparent. If this is the case, e.g. if certain defined critical values are exceeded, the asset's recoverable amount is determined. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, where the value in use is calculated with a discounted cash flow method. Under this procedure, future cash flows of intangible assets are discounted at the weighted average cost of capital, which is determined individually for two operating segments with specific parameters. Expenses arising from impairments are reported under "Other expenses".

For the purpose of impairment tests of other intangible assets and property, plant and equipment, cash-generating units within the STADA Group are defined at the level of individual assets within the reportable segments of Branded Products and Generics.

If the reasons for an impairment no longer exist, the corresponding write-ups are carried out up to a maximum of the carrying amounts determined at amortized cost. Income from write-ups is reported under the item "Other income".

**Leases** are classified either as operating leases or as finance leases, depending on whether the significant risks and rewards of ownership remain with the lessor or with the lessee. The lease is not recognized in the lessee's balance sheet in case of operating leases. STADA records the lease payments for these leases through profit or loss over the lease term. Assets from finance leases are, on initial recognition, recognized at the lower of the fair value of the lease and the present value of minimum lease payments, and are depreciated according to their estimated useful lives or shorter contractual period. An amount is reported as lease liability, when, on initial recognition, it corresponds to the lease's carrying amount and is extinguished and carried forward in subsequent periods with a constant effective interest rate. The interest that is part of the lease installment is recognized as an expense.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

In addition, in case of sale and leaseback transactions that represent a finance lease, any surplus of sales proceeds over the carrying amount is deferred and recognized in the income statement over the lease term.

The total value of capitalized leases is not of material significance for STADA when compared with the total volume of fixed assets.

Under **financial assets**, STADA recognizes shares in non-consolidated, affiliated companies and other investments. Shares in associated companies and other investments are classified as available-for-sale financial assets and are generally reported at fair value with no effect on income. If no quoted market prices in an active market are available to measure these shares and their fair value therefore cannot be determined reliably, they are measured at amortized cost. If any objective indications of impairment are determined, these are quantified by means of an impairment test and recognized in income in accordance with IAS 39.

**Inventories** include such assets that are held for sale in the ordinary course of business (finished goods) that are in the process of production for such sale (work in progress), and that are consumed in the production process or in the rendering of services (materials and supplies). Inventories are measured at the lower of historical costs or costs of sales and net realizable value. Historical costs or costs of sales are determined based on weighted average costs. Costs of sales include both costs that are directly incurred in production and overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included, but are instead recognized as an expense in the period in which they occur. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Financial assets** can be broken down into the following categories in accordance with IAS 39: Loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are accounted for and measured pursuant to IAS 39. Accordingly, financial assets are, as a rule, initially recognized at fair value. In addition, for financial assets that are subsequently measured at amortized cost, transaction costs directly attributable to the acquisition are to be taken into account. Different measurement policies apply for subsequent measurement in accordance with the applicable categories for financial assets pursuant to IAS 39.

**Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are allocated to current assets to the extent that they are due for settlement within twelve months after the reporting date. STADA reports loans and receivables under "Trade accounts receivable", "Other financial assets" and "Cash and cash equivalents". They are measured at amortized cost using the effective interest method.

STADA reports receivables from derivatives which, if applicable, may also be part of hedge accounting, as **financial assets at fair value through profit or loss**. Assets in this category are reported under the "Other financial assets" item. They are measured at fair value. If these assets do not have a quoted market price in an active market, fair value is determined with appropriate measurement models. This includes the application of discounted cash flow methods. These are largely based on input parameters observable in the market. Changes in the fair values are recognized in income at the time of the increase or impairment in value.

**Held-to-maturity financial investments** include non-derivative assets with fixed or determinable payments and a fixed term that STADA intends to hold to maturity. They are measured at amortized cost using the effective interest method. STADA reports these assets in financial assets under the item "Other financial assets".

**Available-for-sale financial assets** are non-derivative assets that are not allocated to any of the above categories. In particular, they comprise, in addition to shares in affiliated companies and other investments included in financial assets, equity securities and are recognized under "Other financial assets". They are measured at fair value, with changes reported under "Provisions available for sale" directly in equity with no effect on profit or loss. These measurement results are reclassified through profit and loss upon sale or valuation allowance of these assets. There must be objective evidence that there is a significant or continuing decrease in fair value below historical cost. Published market price quotations usually can be used for determining fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

**Trade accounts receivable** are measured at amortized cost less impairments using the effective interest rate method. Impairments are made in the form of individual impairments and general individual impairments for specific defaults and expected default risks resulting from the insolvency of customers. To quantify the expected default risk, STADA determines the expected future cash flows from receivables grouped by debtor. To this end, the maturity structures of net receivables and experience relating to derecognition of receivables in the past, the creditworthiness of the customers as well as changes in payment conditions are taken into account. In addition, a trade credit insurance that covers part of the loss in case of default is to be taken into consideration for various Group companies. The required impairment determined reduces the assets' carrying amounts through recognition of an impairment account.

The loss is recognized in profit and loss under "Other expenses". Bad debts are derecognized against the impairment account. Subsequent cash receipts for receivables already derecognized are presented net of expenses.

**Non-current assets and disposal groups held for sale** are classified as held for sale, if the related carrying amount will be recovered principally through a sale transaction rather than through continuing use, and if the sale is regarded as highly probable. Measurement of these assets is based on the lower of carrying amount and fair value less costs to sell. In addition to assets held of sale, associated liabilities are also reported separately in the balance sheet.

**Cash and cash equivalents** include cash and call deposits as well as current and highly liquid financial investments with a maximum term of 90 days from the purchase date. These can be converted to cash immediately and are subject only to minor price fluctuation risks. They are measured at amortized cost. Cash and cash equivalents are reported in accordance with their definition as financial resources in IAS 7.

Other assets, which are not based on any contractual rights involving the direct or indirect exchange of cash, are reported under the item **Other assets**.

STADA maintains defined benefit plans in various countries, according to which the amount of pension benefits depends on the employees' pensionable remuneration and the length of their service or which contain guarantees not permitting recognition as defined contribution plan. **Pension obligations** are measured in accordance with actuarial principles using the projected unit credit method. The pension provisions recognized in the balance sheet correspond to the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets adjusted for the effect resulting from any effect of limiting the benefit asset. In addition to earned pensions and entitlements, the calculation also includes future salary and pension increases. For German Group companies, pension obligations are calculated based on the biometric accounting principles of the Heubeck 2005G mortality tables. Outside Germany, country-specific mortality tables are used. Future pension benefits are subject to individual pension agreements. The discount rate shall be based on long-term rates of return on high quality corporate bonds with fixed interest rates at the reporting date. In countries where there is no liquid market in such corporate bonds, the discount rate is determined on the basis of market yields on government bonds.

The standard IAS 19 only permits actuarial gains and losses to be recognized with no effect on income. It differentiates between gains and losses due to changes in demographic assumptions, due to changes in financial assumptions as well as due to experience-based amendments. They are recognized directly in equity with no effect on income in the period in which they occur ("other comprehensive income, OCI"). The relevant amounts are reported separately in the consolidated statement of comprehensive income. For the calculation of the portion of the interest income on plan assets recognized through profit or loss, the standard IAS 19 requires the application of the discount rate underlying the obligation. The remainder of the actual income from plan assets is to be recognized directly in other comprehensive income with no effect on profit or loss. The current service cost is recognized in staff costs of the individual functional areas. All past service cost that arises in the financial year shall be recognized immediately through profit or loss.

Various Group companies additionally grant their employees defined contribution plans. Here, Group companies pay defined contributions to independent institutions due to legal or contractual requirements



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

or on a voluntary basis; liabilities beyond this do not exist. Contributions to be paid for the respective plans are recognized as expense in the respective period in the relevant functional areas.

The **other non-current provisions** contain anniversary provisions as other long-term employee benefits. Commitments to anniversary payments are accounted in accordance with the guidelines in IAS 19 as other long-term employee benefits. In contrast to pension provisions, actuarial gains and losses are not recognized without an effect on the income statement. Such potential gains and losses are immediately reported as income or expenditure in the relevant functional area. Furthermore, there is a working time accounts plan that is accounted for in the same way as commitments to anniversary payments.

**Other provisions** are made by STADA if there are current legal or constructive obligations to third parties arising from past events that will probably lead to an outflow of resources embodying economic benefits that can be reliably determined. An outflow of assets embodying economic benefits is considered as probable if it is more likely than not. Other provisions are recognized in an amount that, taking into account all recognizable risks, offers the best possible estimate of expenditures necessary to fulfill the obligations. Any existing reimbursement claims by third parties are not netted with other provisions. Expenses from the creation of provisions are allocated to functional costs according to where they arise. If changes in estimates result in a reduction of the obligation, the other provisions are reversed on a pro rata basis and recognized through profit and loss under the item where the original expense was recognized.

STADA reports all other provisions as current financial liabilities because a settlement date within twelve months of the reporting date is expected. The amounts recognized are not discounted. Liabilities incurred due to outstanding accounts or obligations to personnel and taxation authorities, as well as other liabilities are not reported as provisions, but under "Trade payable" or "Other liabilities".

Differentiated from provisions, there are contingent liabilities for **possible obligations** based on past events but which will not become manifest until the occurrence of one or more uncertain future events not under STADA's control. In addition, there are also contingent liabilities for current obligations, for which however the associated outflow of resources is not considered probable or the amount of the obligation cannot be adequately estimated. In accordance with IAS 37, such contingent liabilities are not recognized.

**Financial liabilities** are measured on initial recognition at fair value plus transaction costs directly attributable to the acquisition. For financial liabilities that subsequently continue to be measured at fair value, any transaction costs are recognized as an expense in the period in which they occur. This relates to the accounting of derivative financial instruments with negative market values that are not part of an effective hedging relationship and allocated to the category "at fair value through profit or loss" in accordance with IAS 39. STADA reports these financial liabilities in the "Other financial liabilities" item. Here, those derivative financial instruments are also included which serve to hedge interest rate and currency risks resulting from operating activities, financial transactions and investments, and which are also measured at fair value in accordance with the regulations of IAS 39 on hedge accounting. Unless market prices are available, fair value is determined with measurement models based on discounted cash flow models.

**Derivative financial instruments** exist at STADA in the context of derivatives measured at fair value through profit or loss as well as in the context of derivative hedging instruments. In each case, depending on whether the market value of the derivatives is positive or negative, they are recognized under the item "Other financial assets" or "Other financial liabilities" (see financial reporting policies for financial assets and financial liabilities). Cash flow hedges, fair value hedges and hedges of net investments in a foreign operation can generally be recognized as derivative hedging instruments in the context of hedge accounting in accordance with IAS 39.

At STADA, cash flow hedges are used to hedge against fluctuations of cash flows associated with an accounted asset or an accounted financial liability or a highly probable planned transaction. Changes in the fair value of these hedging instruments are recognized with no effect on income in the amount of the effective part of the hedging relationship directly in equity under "Provisions for cash flow hedges". A transfer to the income statement takes place in the period when the underlying hedged item becomes effective. The ineffective part of the changes in value is, however, recognized directly in the income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

In the context of fair value hedges, the risk of a change in fair value of accounted assets or accounted liabilities or fixed off balance liabilities is hedged. Changes in the fair value of these hedging transactions are recorded in profit and loss like changes in the fair value of the underlying hedged items. If the requirements for hedge accounting are no longer met, the carrying amounts of the previously hedged items are adjusted on the basis of their remaining terms. Hedges of net investments in a foreign operation are treated according to the same accounting policies as cash flow hedges.

STADA regularly reviews the effectiveness of the hedging relationships as a prerequisite for hedge accounting pursuant to IAS 39. A hedging relationship is in general considered to be effective, if changes in fair value of the hedging transaction are both prospectively and retrospectively within a range of 80% to 125% of the offsetting changes in fair value of the hedged item.

STADA measures all other financial liabilities, in particular trade payable as well as financial liabilities, at amortized cost using the effective interest method.

STADA has so far not made use of the option to designate financial liabilities on initial recognition as financial liabilities to be recognized at fair value through profit or loss.

Other financial liabilities, which are not based on any contractual rights involving the direct or indirect exchange of cash, are reported under the item "Other liabilities".

At STADA, share-based payments are used as long-term oriented remuneration components in the context of **performance-related remuneration** of Executive Board members and are paid in cash. These payments are recognized at the fair value of the liability in accordance with IFRS 2. Until the liability is settled, the fair value of the liability is to be reclassified on each reporting date and on the settlement date, and all changes in the fair value are to be recognized through profit and loss. STADA uses the Monte Carlo model to determine the fair value of share-based payments. The fair value of share-based payments to the Executive Board from deferrals are recognized under the item "Other liabilities".

### 10. Estimates, assumptions and discretion in the application of accounting principles

The presentation of the net assets, financial position and results of operations in the consolidated Group financial statement is determined by recognition and valuation methods. To a certain extent, STADA makes estimates and assumptions relating to the future that are based on past experience as well as other factors that are considered to be appropriate in the particular circumstances. Although the estimates and assumptions are constantly re-evaluated, estimates derived in this way may differ from actual circumstances. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed below.

As part of purchase price allocations in business combinations, goodwill is the difference between the acquired net assets evaluated according to IFRS 3 and the consideration transferred plus the fair value of the previously held shares and the amount recognized of non-controlling shareholders. Various valuation methods are used for this that are primarily based on estimates and assumptions.

STADA carries out an impairment test for capitalized goodwill at least once a year. The discounted future cash flows of the cash-generating units, aggregated into operating segments, which are based on certain assumptions, are to be determined for this purpose. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years based on approved budgets. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. The budget values for future financial years, which are subject to some uncertainty due to unforeseeable future legal developments and developments in the health care market, as well as the parameters determined in the context of current market information but also as a best possible estimate mean that the assessment of impairment may differ from actual circumstances, and despite good forecasts in the reporting year an impairment requirement may be necessary in subsequent years.

For items of property plant and equipment and intangible assets, the expected useful lives and associated amortization or depreciation expenses are determined on the basis of the expectations and assessments of management. If the actual useful life is less than the expected useful life, the amount of depreciation or

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. Estimates, assumptions and discretion in the application of accounting principles (Continued)

amortization is adjusted accordingly. As part of the determination of impairment losses on fixed assets, estimates relating to the cause, timing and amount of the impairments are also made. Particularly in the context of impairment tests for yet unused approvals, which are reported as advance payments, the growth rates applied for the present value test as well as the long-term price and cost development of active pharmaceutical ingredients are based on best possible estimates. This also applies to the impairment tests of other intangible assets with indefinite useful lives.

Development costs are capitalized based on the assessment of whether the capitalization requirements of IAS 38 are met. Planning calculations are necessary to determine the future economic benefit, which are by their nature subject to estimates and may therefore deviate from actual circumstances in the future.

STADA makes valuation allowances on receivables in order to anticipate losses expected in relation to insolvency of customers. The maturity structure of the net receivables and past experience in relation to bad debts as well as the customers' credit-worthiness are used as the criteria for evaluating the appropriateness of the valuation allowances. This does not, however, exclude the possibility that the actual derecognitions will exceed the expected valuation allowances due to a significant worsening in the financial position of the customer. Accounting judgments and estimates regarding the assessment of the value of receivables relate particularly to impaired receivables from debtors in CEE countries.

STADA operates in various countries and is obliged to pay respective income taxes in each tax jurisdiction. In order to calculate the income tax provisions and the deferred tax liabilities in the Group, the expected income tax as well as the temporary differences resulting from the different treatment of certain balance sheet item according to IFRS and their accounting in accordance with tax law are each to be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed values, this has a corresponding effect on current and deferred taxes and thus on the net assets, financial position and results of operations of the Group in the respective period. Furthermore, increasing importance within the STADA Group is being allotted to a comprehensive tax transfer-pricing model for the remuneration of intragroup services. Possible risks of non-recognition of these transfer prices for tax purposes are limited by the introduction of appropriate communication methods and an overarching definition of transfer pricing in the form of a Group guideline.

When determining the fair values of derivatives and other financial instruments, for which no market price in an active market is available, valuation models based on input parameters observable in the market are applied. The cash flows, which are already fixed or calculated by means of the current yield curve using so-called "forward rates", are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the reporting date.

The amount of pension obligations from defined benefit plans is calculated using actuarial methods. This procedure is based upon assumptions, among other things, regarding the discount rate, life expectancy and future salary and pension increases. Changes to these assumptions can significantly influence the amount of future pension costs.

The creation of other provisions is based on the assessment of management regarding the probability and amount of an outflow of resources. STADA creates provisions if there is a present external obligation and a probable outflow of resources, i.e. if it is more likely to occur than not. Provisions in relation to pending legal disputes are created based on how STADA estimates the prospects of success of these methods. The determination of provisions for damages is also associated with substantial estimates and can change due to new information. The same applies for the recognition of the amount of contingent liabilities.

Expenses from the creation of provisions for warranties are considered in sales and charged against income. Estimated values based on past experience are used for this purpose. This means that the actual expenses for warranties may differ from the estimate and sales would accordingly turn out to be higher or lower. The same applies for the consideration of discounts (e.g. discounts to health insurance organizations) prescribed by law and due to other regulatory requirements. These are recognized with a reduction on sales based on the respective underlying contract with an estimated amount in expectation of probable sales.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Notes to the Consolidated Income Statement

#### 11. Sales

Sales at STADA primarily resulted from the supply of products and, to a much lesser extent, from license revenues. For information on the reporting of sales, please refer to details included in Financial Reporting Policies.

In 2016, the increase in sales compared to 2015 was primarily based on strong sales development in the markets Germany, Italy and Vietnam. This development was primarily attributable to the strong growth in the German Branded Products segment as well as the sales increase in the two core segments in the Italian and Vietnamese markets. Exchange rate effects and portfolio changes had a total influence of € 28.0 million on sales in the reporting year. For information on how sales are broken down according to segments, please refer to the “Segment reporting” in Note 42.

#### 12. Cost of sales

Cost of sales is divided into the following items:

in € 000s	2016	2015
Material expenses . . . . .	883,480	874,066
Impairment, depreciation and amortization . . . . .	100,976	101,497
Expenses from inventory write-downs . . . . .	28,207	36,545
Remaining cost of sales . . . . .	92,650	89,601
<b>Total . . . . .</b>	<b><u>1,105,313</u></b>	<b><u>1,101,709</u></b>

Impairment, depreciation and amortization in the amount of € 101.0 million (previous year: € 101.5 million) mainly includes amortization on intangible assets, the ownership of which represents a necessary condition for the marketing of the products manufactured—in particular drug approvals.

Expenses from inventory write-downs included inventories written down to net realizable value offset with reversals. The reversals amounted to € 7.7 million in financial year 2016 (previous year: € 7.2 million).

#### 13. Selling expenses

In addition to the costs for sales departments and sales force, selling expenses also comprise the costs for advertising and marketing activities including samples for doctors. They also include all costs for logistics that occur for completed final products. Discounts in the form of free retail packages, so-called discounts in kind,—if possible under the legal regulations in a national market—are not included. The resulting expenses are reported as a part of cost of sales.

In the reporting year, marketing expenses in the amount of € 210.4 million (previous year: € 210.0 million) corresponded to a share of 43% in selling expenses (previous year: 44%). In addition, selling expenses included depreciation in the amount of € 6.9 million (previous year: € 7.1 million).

#### 14. General and administrative expenses

Personnel and material costs of service and administrative units are reported under general and administrative expenses, unless they have been charged to other functional areas as internal services.

In 2016, the general and administrative expenses included depreciation in the amount of € 7.0 million (previous year: € 7.9 million).

General and administrative expenses increased in the reporting year by a total of € 4.3 million. The increase primarily resulted from the subsidiaries consolidated for the first time in the reporting year or at the end of the previous year.

#### 15. Research and development costs

For information on the composition of research and development costs, please refer to the details included in Financial Reporting Policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 15. Research and development costs (Continued)

In financial year 2016, research and development costs increased by € 0.1 million compared to the previous year.

The research and development costs include depreciation in the amount of € 2.3 million (previous year: € 2.1 million). Development costs for new products in the amount of € 28.4 million (previous year: € 26.1 million) were capitalized in financial year 2016 (see the note on the item “Intangible assets”).

### 16. Other income

Other income is divided into the following items:

in € 000s	2016	2015
Income from write-ups . . . . .	3	—
Income from disposals . . . . .	—	2,317
Remaining other income . . . . .	19,276	17,715
<b>Total . . . . .</b>	<b><u>19,279</u></b>	<b><u>20,032</u></b>

The remaining other income includes a milestone payment received in the Branded Products segment in the United Kingdom, income from insurance compensation, income from damage claims payments as well as other other income not directly associated with functional costs that comprise many immaterial individual items in the Group companies.

Furthermore, the income from disposals mainly resulted from the deconsolidation of the French subsidiary Laboratoires d'études et de recherches en oligo éléments thérapie SA in the previous year.

### 17. Other expenses

Other expenses are broken down as follows:

in € 000s	2016	2015
Expenses from valuation allowances on accounts receivable . . . . .	5,972	9,367
Currency translation expenses . . . . .	9,379	19,549
Impairment losses on non-current assets excluding goodwill . . . . .	65,480	32,790
Impairment losses on goodwill . . . . .	—	410
Remaining other expenses . . . . .	58,102	21,593
<b>Total . . . . .</b>	<b><u>138,933</u></b>	<b><u>83,709</u></b>

Expenses for valuation allowances on accounts receivable were reported offset with the corresponding income from their reversal.

Other expenses include impairment losses in the amount of € 65.5 million (previous year: € 32.8 million) that exclusively relate to impairment losses on non-current assets excluding goodwill in the reporting year. In the previous year, impairments to goodwill resulted from an impairment for the Asia/Pacific & MENA region. The increase in comparison with the previous year was primarily due to reorganization decisions in connection with the adapted corporate strategy. These impairment losses were considered by STADA as a special item of financial year 2016.

The item also included net currency translation expenses in the amount of € 9.4 million in the reporting year (previous year: € 19.5 million). This development was particularly attributable to the strong devaluation of the major currencies in the CIS region and the resulting currency translation expenses, reported as special items.

Within remaining other expenses, personnel expenses are recognized in the amount of € 24.8 million (previous year: € 4.4 million). The increase in comparison with the same period of the previous year was particularly due to a severance payment for the former Chairman of the Executive Board as well as further personnel expenses in connection with the merging of the German sales companies. Furthermore,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Other expenses (Continued)

remaining other expenses also increased due to the termination of a distribution agreement with the Belgian sales partner OMEGA and the associated damage claim payment.

The item other expenses includes expenses in the amount of € 21.6 million in connection with the termination of substantial parts of the aesthetics business. These expenses particularly resulted from impairments to intangible assets, impairments to financial assets, a payment for the termination of the distribution agreement, the reduction in inventories, outstanding rental payments and severance payments.

### 18. Financial result

The **result from investments measured at equity** in financial year 2016 relates to the companies BIOCEUTICALS Arznei-mittel AG, Pharm Ortho Pedic SAS and AELIA SAS as well as Dialogfarma LLC since last year, and are accounted for using the equity method.

**Investment income** primarily relates to profit distributions from companies not included in the consolidated financial statements.

**Financial income and financial expenses** are composed of the interest result and other financial income and other financial expenses.

The interest result developed as follows:

in € 000s	2016	2015
Interest income . . . . .	2,716	1,142
Interest expense . . . . .	52,891	65,576
<b>Interest result . . . . .</b>	<b>50,175</b>	<b>64,434</b>
thereof: from financial instruments of the valuation categories in accordance with IAS 39:		
• Loans and receivables . . . . .	2,716	1,142
• Financial assets and liabilities at fair value through profit and loss . . . . .	- 12,711	- 18,213
• Held-to-maturity investments . . . . .	—	—
• “Available-for-sale” financial assets . . . . .	—	—
• Financial liabilities measured at amortized costs . . . . .	- 39,120	- 46,349

In addition, the interest result in financial year 2016 includes an interest expense from other non-current provisions, which comprises interest income on plan assets as well as interest expenses from pension obligations and other non-current provisions, in the amount of € 1.1 million (previous year: € 1.0 million).

In financial year 2016, the Group refinanced itself at interest rates of between 0.7% p.a. and 26.0% p.a. (previous year: between 0.7% p.a. and 16.6% p.a.). On the reporting date of December 31, 2016, the weighted average interest rate for non-current financial liabilities was approx. 1.66% p.a. (previous year: approx. 2.0% p.a.) and for current financial liabilities approx. 3.12% p.a. (previous year: approx. 5.1% p.a.). For all of the Group’s financial liabilities the weighted average interest amounted to approx. 1.78% p.a. (previous year: approx. 2.6% p.a.).

Interest payments partially resulting from interest rate swaps designated by STADA as hedging instruments in cash flow hedges are not netted for each swap contract and are recognized as interest income or interest expense in the valuation category of the associated underlying hedged item. For the reporting year, this exclusively concerns financial liabilities which were valued at amortized costs.

Borrowing costs capitalized as part of the cost of qualifying assets amounted to € 1.4 million in financial year 2016 (previous year: € 1.0 million). A capitalization rate of 2.0% for intangible assets (previous year: 2.3%) was taken as a basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18. Financial result (Continued)

Other financial income and other financial expenses consist of the following:

in € 000s	2016	2015
<b>Other financial income</b> . . . . .	—	28
thereof		
• from the measurement of financial instruments . . . . .	—	—
• from the disposal of financial instruments . . . . .	—	28
<b>Other financial expenses</b> . . . . .	1,246	3,091
thereof		
• from the measurement of financial instruments . . . . .	518	3,087
• from the disposal of financial instruments . . . . .	728	4

The result from the measurement of financial instruments in the reporting year resulted from interest rate swaps and interest rate/currency swaps measured at fair value through profit or loss. There was a net burden on earnings in the amount of € 0.5 million before or € 0.4 million after taxes. In the previous year, there was a net burden on earnings from the measurement of derivative financial instruments in the amount of € 3.1 million before and € 3.1 million after taxes. The measurement of interest rate hedge transactions depends on the development of the money market interest rate.

The result from the disposal of financial instruments was due to the early utilization of interest rate swaps in financial year 2016.

### 19. Income taxes

The item income taxes includes taxes on income and earnings paid or owed in the individual countries as well as deferred tax liabilities. Other taxes that cannot be meaningfully attributed to the sales, administration or research and development functions are included in other expenses.

Actual income taxes can be divided according to timing as follows:

in € 000s	2016	2015
<b>Actual income taxes</b> . . . . .	54,212	43,591
Tax expense in the current period . . . . .	50,288	48,569
Tax expense from previous periods . . . . .	4,619	546
Tax income from previous periods . . . . .	695	5,524

The deferred taxes are as follows:

in € 000s	2016	2015
<b>Deferred taxes</b> . . . . .	-22,274	-2,953
• from temporary differences . . . . .	-30,073	-2,808
• from loss/interest carryforwards . . . . .	7,799	-145
• from tax credits . . . . .	—	—
• from others . . . . .	—	—

The effective income tax rate amounted to 25.1% for financial year 2016. The effective income tax rate in the previous year was 25.8%. The nominal income tax rate amounted to 28.3% in financial year 2016 for STADA Arzneimittel AG in Germany, this includes corporation tax with a tax rate of 15.0% and the solidarity surcharge in the amount of 5.5% as well as trade income tax with an assessment rate of 357%. In the previous year, the nominal income tax rate of STADA Arzneimittel AG amounted to 27.4%. The difference resulted from the increase in the assessment rate for corporation tax of 27 percentage points in Bad Vilbel.

The following overview explains how the effective income tax expense reported in the income statement was derived from the expected income tax expense. The expected income tax expense is calculated by applying the nominal tax rate of a corporation headquartered in Bad Vilbel to earnings before taxes. The

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Income taxes (Continued)

tax effects of the respective tax rates to be applied locally depending on their applicable national and legal forms are reported in a separate reconciliation.

in € 000s	2016	2015
<b>Earnings before taxes</b> . . . . .	<b>127,429</b>	<b>157,803</b>
Nominal income tax rate of STADA Arzneimittel AG (in %) . . . . .	28.3%	27.4%
<b>Expected income tax expense</b> . . . . .	<b>36,088</b>	<b>43,207</b>
Deviation in local tax rate . . . . .	-8,701	-4,779
Tax effects from non-deductible impairment on investments and goodwill . . . . .	—	28
Tax effects from loss carryforwards . . . . .	-6,067	-6,582
Tax effects from previous years . . . . .	-3,676	-4,910
Effects from tax rate changes . . . . .	-4,157	-7,495
Tax effects from non-deductible expenses and tax-free earnings . . . . .	19,436	21,376
Other tax effects . . . . .	-985	-207
<b>Income tax expense shown on the income statement</b> . . . . .	<b>31,938</b>	<b>40,638</b>
Effective income tax rate (in %) . . . . .	25.1%	25.8%

Deviations in the local tax rate primarily resulted from lower nominal tax rates in the United Kingdom.

Tax effects from loss carryforwards primarily resulted from the utilization of tax loss carryforwards for which no deferred tax assets have been recognized so far.

The effects from tax rate changes in the previous year primarily resulted from a decrease in the tax rate in the United Kingdom and the associated remeasurement of deferred taxes.

The actual income taxes and deferred taxes recognized in the balance sheet were as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Income tax receivables . . . . .	12,816	21,182
Income tax liabilities . . . . .	60,625	39,444

in € 000s	2016	2015
Deferred tax assets . . . . .	20,814	34,073
Deferred tax liabilities . . . . .	116,416	160,241
Deferred taxes as of December 31 . . . . .	-95,602	-126,168
Difference compared to previous year . . . . .	30,566	-8,878
thereof		
• Recognized in income . . . . .	22,274	2,953
• Recognized through other comprehensive income . . . . .	-627	-4
• Acquisitions/disposals/changes in the scope of consolidation . . . . .	-3,276	-6,648
• Reclassifications in accordance with IFRS 5 . . . . .	5,490	—
• Currency translation differences . . . . .	6,705	-5,179

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Income taxes (Continued)

Deferred taxes result from the following balance sheet items and loss carryforwards:

in € 000s	Dec. 31, 2016 Deferred tax assets	Dec. 31, 2015 Deferred tax assets	Dec. 31, 2016 Deferred tax liabilities	Dec. 31, 2015 Deferred tax liabilities
Intangible assets . . . . .	2,684	2,244	123,318	153,077
Property, plant and equipment . . . . .	1,816	1,423	6,187	6,009
Financial assets . . . . .	830	981	652	617
Inventories . . . . .	10,824	10,948	909	1,317
Receivables . . . . .	8,896	5,144	3,919	4,325
Other assets . . . . .	2,180	3,006	28	5
Other non-current provisions . . . . .	5,079	3,631	464	58
Other provisions . . . . .	1,966	1,555	6,715	8,102
Liabilities . . . . .	4,713	3,541	367	974
Loss carryforwards . . . . .	7,969	15,843	—	—
<b>Total . . . . .</b>	<b>46,957</b>	<b>48,316</b>	<b>142,559</b>	<b>174,484</b>
Offsetting . . . . .	-26,143	-14,243	-26,143	-14,243
<b>Deferred taxes as per balance sheet . . . . .</b>	<b>20,814</b>	<b>34,073</b>	<b>116,416</b>	<b>160,241</b>

Deferred tax liabilities reported by STADA resulted, among other things, from deferred taxes in the context of purchase price allocations carried out under IFRS 3. The reduction in deferred tax liabilities compared with the previous year was primarily a result of scheduled amortization on intangible assets with purchase price allocations measured in accordance with IFRS 3, as well as a decrease in the tax rate in the United Kingdom and the associated remeasurement of deferred taxes.

Tax advantages that are highly probable and expected from the future utilization of tax loss carryforwards are reported under “Tax loss carryforwards”.

Tax loss carryforwards are only capitalized if their future utilization is highly probable. Tax loss carryforwards capitalized as of the December 31, 2016 reporting date amounted to € 30.9 million in financial year 2016 (previous year: € 73.2 million).

Income taxes decreased by a total of € 6.1 million (previous year: Increase of income tax expense by € 6.6 million) through the utilization of previously unrecognized tax loss carryforwards from previous years for which no deferred taxes have been recognized so far and through tax loss carryforwards from the current financial year for which no deferred taxes have been recognized.

The future usable tax loss carryforwards and similar items are listed in the following chart according to their expiry date:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Loss carryforward expiry date within		
• 1 year . . . . .	—	707
• 2 years . . . . .	799	—
• 3 years . . . . .	—	799
• 4 years . . . . .	—	—
• 5 years . . . . .	707	141
• more than 5 years . . . . .	416	5,966
• unlimited carryforward . . . . .	28,936	65,594

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Income taxes (Continued)

No deferred taxes were recognized for the following tax loss carryforwards and similar items as it is not probable that they will be realized in the foreseeable future:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Loss carryforward expiry date within		
• 1 year	—	182
• 2 years	—	—
• 3 years	—	—
• 4 years	—	—
• 5 years	—	—
• more than 5 years	19,470	24,420
• unlimited carryforward	84,055	98,650
Temporary differences	- 426	1,379

### 20. Income distributable to non-controlling interests

in € 000s	Dec. 31, 2016	Dec. 31, 2015
<b>Earnings after taxes</b>	<b>95,491</b>	<b>117,165</b>
• thereof distributable to shareholders of STADA Arzneimittel AG (net income)	85,904	110,404
• thereof distributable to non-controlling interests	9,587	6,761

Net income related to non-controlling interests pertains to the subsidiaries STADA Thailand, STADA Import/Export International, STADA Vietnam J.V., Pymepharco, STADA Pharmaceuticals (Beijing), Hemomont and Hemofarm Banja Luka.

### 21. Earnings per share

The basic earnings per share are as follows:

Basic earnings per share	2016	2015
Net income (in € 000s)	85,904	110,404
Adjustment	—	—
<b>Adjusted net income (basic) (in € 000s)</b>	<b>85,904</b>	<b>110,404</b>
Average number of registered shares <sup>(1)</sup> issued (in unit shares)	62,342,440	61,725,885
Average number of treasury shares (in unit shares)	85,908	88,264
<b>Adjusted average number of shares (basic) (in unit shares)</b>	<b>62,256,532</b>	<b>61,637,621</b>
<b>Basic earnings per share (in €)</b>	<b>1.38</b>	<b>1.79</b>

Basic earnings per share are calculated by dividing the adjusted net income distributable to the shareholders of STADA Arzneimittel AG by the time-weighted average number of registered shares<sup>(1)</sup> outstanding.

(1) On August 26, 2016, the STADA Annual General Meeting resolved to eliminate restrictions on the transferability of registered shares by means of a change to the Articles of Incorporation. The change to the Articles Incorporation was entered in the commercial register on December 9, 2016 and took effect on this date. The authorization of the approved capital in accordance with Section 6 (1) of the Articles of Incorporate therefore no longer refers to registered shares with restricted transferability.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Number of employees and personnel expenses

The average number of employees at STADA by functional area and functional sub-area is as follows:

	2016	2015
Marketing/Sales . . . . .	3,089	3,012
Logistics . . . . .	360	299
Finance/IT . . . . .	707	684
Production/Quality Assurance . . . . .	4,809	4,644
Procurement/Supply Chain . . . . .	340	333
Product Development . . . . .	623	594
Administration . . . . .	911	875
<b>Entire Group . . . . .</b>	<b>10,839</b>	<b>10,441</b>
<b>Personnel expenses (in € million) . . . . .</b>	<b>365.7</b>	<b>342.7</b>

The average number of employees in the reporting year was above the level of the previous year at 10,839 (previous year: 10,441). The most substantial reasons for the increase in the number of employees in financial year 2016 include the consolidation of the Argentinian Laboratorio Vannier S.A. the acquisition of the British company BMSW Limited and Natures Aid Limited, as well as the acquisition of a local product portfolio, the Serbian IVANCIC I SINOV I DOO with a total of 218 employees. On the reporting date, the STADA Group's number of employees in 2016 totaled 10,923 (previous year: 10,532).

Personnel expenses, which are included in expenses of the individual functional areas according to their functional relevance, increased in financial year 2016 to € 365.7 million (previous year: € 342.7 million). The increase was primarily attributable to expenses from reorganization decisions and structural measures resulting from a changed corporate structure.

### 23. Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses are included in expenses of the individual functional areas according to their functional relevance and can be attributed to intangible assets, property, plant and equipment as follows:

in € 000s	2016	2015
<b>Depreciation/amortization . . . . .</b>	<b>117,180</b>	<b>118,648</b>
Intangible assets . . . . .	83,506	84,429
Property, plant and equipment . . . . .	33,674	34,219
<b>Impairment losses . . . . .</b>	<b>65,480</b>	<b>33,200</b>
Intangible assets . . . . .	61,807	32,948
thereof		
• goodwill . . . . .	—	410
Property, plant and equipment . . . . .	223	161
thereof		
• land and buildings . . . . .	36	—
• plant and machinery . . . . .	97	118
• other fixtures and fittings, tools and equipment . . . . .	90	43
Financial assets . . . . .	3,450	91
thereof		
• Investments . . . . .	3,450	91

The impairment of intangible assets concerns various drug approvals and trademarks.

Impairments of financial assets recorded in the financial year particularly resulted from the termination of further parts of the aesthetics business. The impairments in the previous year primarily related to the carrying amounts of Hetmak FZCO in Dubai.

Depreciation and amortization decreased by 1.2% as compared to the previous year. More information on amortization, depreciation and impairment losses is included in the Notes on non-current assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Notes to the Consolidated Balance Sheet

#### 24. Intangible assets

Intangible assets developed as follows in financial year 2016:

2016 in € 000s	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Advance payments made and capitalized development costs for current projects	Total
<b>Cost as of Jan. 1, 2016</b> . . . . .	<b>1,854,400</b>	<b>465,034</b>	<b>201,653</b>	<b>2,521,087</b>
Currency translation . . . . .	– 12,653	2,137	– 102	– 10,618
Changes in the scope of consolidation . . . . .	– 51	– 927	—	– 978
Additions . . . . .	484	—	81,037	81,521
Additions from business combinations according to IFRS 3 . . . . .	30,585	18,367	—	48,952
Disposals . . . . .	3,085	—	375	3,460
Transfers noncurrent assets and disposal groups held for sale . . . . .	30,387	5,785	—	36,172
Transfers . . . . .	67,980	—	– 67,687	293
<b>Cost as of Dec. 31, 2016</b> . . . . .	<b>1,907,273</b>	<b>478,826</b>	<b>214,526</b>	<b>2,600,625</b>
<b>Accumulated depreciation as of Jan. 1, 2016</b> . . . . .	<b>739,059</b>	<b>73,422</b>	<b>59,586</b>	<b>872,067</b>
Currency translation . . . . .	8,855	1,510	987	11,352
Changes in the scope of consolidation . . . . .	– 51	—	—	– 51
Depreciation/amortization . . . . .	83,506	—	—	83,506
Impairment losses . . . . .	54,677	—	7,130	61,807
Disposals . . . . .	2,241	—	359	2,600
Write-ups . . . . .	—	—	3	3
Reclassifications to noncurrent assets and disposal groups held for sale . . . . .	7,169	690	—	7,859
Transfers . . . . .	488	—	– 443	45
<b>Accumulated amortization as of Dec. 31, 2016</b> . . . . .	<b>877,124</b>	<b>74,242</b>	<b>66,898</b>	<b>1,018,264</b>
<b>Residual carrying amounts as of Dec. 31, 2016</b> . . . . .	<b>1,030,149</b>	<b>404,584</b>	<b>147,628</b>	<b>1,582,361</b>
<b>Residual carrying amounts as of Dec. 31, 2015</b> . . . . .	<b>1,115,341</b>	<b>391,612</b>	<b>142,067</b>	<b>1,649,020</b>

Additions from business combinations according to IFRS 3, which are based on fair values determined as part of the purchase price allocation, primarily relate to € 18.8 million from the acquisition of a Serbian product portfolio to strengthen the position in the consumer healthcare area, € 11.5 million from the purchase of the Argentinian Laboratorio Vannier S.A. and € 3.5 million and € 17.4 million from the acquisitions of the British BSMW Limited and Natures Aid Limited.

In the reporting year, reclassifications of non-current assets and disposal groups held for sale relate to two subsidiaries in Asia.

The umbrella brand Hemofarm capitalized in 2006 in the context of the acquisition of the Hemofarm group is included in recognized trademarks as an intangible asset with an indefinite useful life, as STADA intends to make continuing use of it. As at December 31, 2016, this umbrella brand has a carrying amount of € 37.4 million (previous year: € 45.4 million). In the context of the impairment test of December 31, 2016, a royalty rate of 2% and a discount rate of 13.2% were used. There was a necessity for impairment for the reporting year in the amount of € 7.4 million. In addition, the change compared to the previous year figure of € 0.6 million is a result of different foreign exchange rates.

Furthermore, in the context of the control achieved over Pymepharco in 2013, the umbrella brand Pymepharco was capitalized as an intangible asset with an indefinite useful life as a trademark, as STADA intends to continue to use the trademark. As of December 31, 2016, it has a carrying amount of € 9.7 million (previous year: € 9.5 million). The change is a result of different foreign exchange rates. In the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Intangible assets (Continued)

context of the impairment test of December 31, 2016, a royalty rate of 2% and a discount rate of 13.8% were used. There was no necessity for impairment for the reporting year.

As part of the acquisition of Laboratorio Vannier in the reporting year, the umbrella brand Vannier was capitalized as an intangible asset with a carrying amount of € 0.3 million and an indefinite useful life as a trademark as STADA intends to continue to use the trademark. As at December 31, 2016, it has a carrying amount of € 0.3 million. In the context of the impairment test of December 31, 2016, a royalty rate of 2% and a discount rate of 21.9% were used. There was no necessity for impairment for the reporting year.

Borrowing costs capitalized in 2016 for intangible assets and directly attributable to the acquisition or the production of a qualifying asset amounted to € 1.4 million (previous year: € 1.0 million). In financial year 2016, the capitalization rate taken as a basis for determining borrowing costs eligible for capitalization was 2.0% (previous year: 2.3%).

Development costs of € 31.0 million were capitalized in the reporting year (previous year: € 27.5 million). Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs and external services, together with directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life, generally 20 years. STADA immediately recognizes development costs that do not qualify for capitalization as expense in the period in which they are incurred (see Note 15.). In financial year 2016, these development costs amounted to € 65.1 million (previous year: € 65.0 million).

Amortization on intangible assets mainly relates to regulatory drug approvals as well as trademarks and is recognized in the income statement primarily under cost of sales. In the reporting year, this related to an amount of € 83.5 million (previous year: € 84.4 million).

In financial year 2016, impairments on intangible assets were recognized in the total amount of € 61.8 million (previous year: € 32.9 million). No valuation allowances on goodwill were recorded in the reporting year. In the previous year, this related to valuation allowances on goodwill for market region Asia/Pacific & MENA in the amount of € 0.4 million.

Details on changes in the scope of consolidation can be found in the Note on the scope of consolidation (see Note 5.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Intangible assets (Continued)

Intangible assets developed as follows in the previous year:

2015 in € 000s	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Advance payments made and capitalized development costs for current projects	Total
<b>Cost as of Jan. 1, 2015</b>	<b>1,744,755</b>	<b>445,874</b>	<b>207,121</b>	<b>2,397,750</b>
Currency translation	7,752	2,172	2,534	12,458
Changes in the scope of consolidation	37	1,087	—	1,124
Additions	14,889	—	56,912	71,801
Additions from business combinations according to IFRS 3	33,316	17,728	70	51,114
Disposals	10,748	1,827	585	13,160
Transfers	64,399	—	– 64,399	0
<b>Cost as of Dec. 31, 2015</b>	<b>1,854,400</b>	<b>465,034</b>	<b>201,653</b>	<b>2,521,087</b>
<b>Accumulated amortization as of Jan. 1, 2015</b>	<b>635,523</b>	<b>73,571</b>	<b>57,140</b>	<b>766,234</b>
Currency translation	– 3,267	– 559	– 434	– 4,620
Changes in the scope of consolidation	—	—	—	—
Depreciation/amortization	84,429	—	—	84,429
Impairment losses	28,736	410	3,802	32,948
Disposals	6,361	—	563	6,924
Write-ups	—	—	—	—
Transfers	359	—	– 359	0
<b>Accumulated amortization as of Dec. 31, 2015</b>	<b>739,059</b>	<b>73,422</b>	<b>59,586</b>	<b>872,067</b>
<b>Residual carrying amounts as of Dec. 31, 2015</b>	<b>1,115,341</b>	<b>391,612</b>	<b>142,067</b>	<b>1,649,020</b>
<b>Residual carrying amounts as of Dec. 31, 2014</b>	<b>1,109,232</b>	<b>372,303</b>	<b>149,981</b>	<b>1,631,516</b>

The following amortization expense is expected for the intangible assets in the next five years:

in € 000s	Expected amortization
2017	83,245
2018	83,785
2019	84,944
2020	84,802
2021	85,598

The following table shows which cash-generating units the capitalized goodwill can be attributed to:

Residual carrying amount as of Dec. 31, 2016 in € million	
Generics	188.7
Branded Products	215.9
<b>Total</b>	<b>404.6</b>

In accordance with the fundamental change to reporting structures in the third quarter of 2016 agreed by the Executive Board, the STADA Group no longer reports by segments and market regions, but by operating segments, i.e. the two segments Generics and Branded Products. This measure is in line with the growth strategy, including central management of the segments, an increasing internationalization of the product portfolio as well as a stricter cost control and is first applied in the reporting and planning process as part of these Consolidated Financial Statements. In the course of the change, the non-core activity Commercial Business was integrated into the Generics segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Intangible assets (Continued)

In the course of converting the internal reporting and the associated aggregation of cash-generating units, an impairment test was carried out on June 30, 2016 based on the cash-generating units from the previous year due to an indication of a possible impairment. No necessity for impairment was identified.

In the previous year, the capitalized goodwill for cash-generating units was as follows:

**Residual carrying amount as of Dec. 31, 2015**  
**in € million**

Generics . . . . .	187.8
Branded Products . . . . .	203.8
<b>Total . . . . .</b>	<b><u>391.6</u></b>

In comparison with the previous year<sup>(1)</sup>, there were the following significant changes in the carrying amounts of goodwill:

- The increase in goodwill in the cash-generating unit Branded Products was primarily attributable to the finalizing of the purchase price allocation for the acquisition of the British company Natures Aid

In the context of the regular impairment tests for capitalized goodwill of September 30, 2016, the discounted cash flow method is used to determine anticipated cash inflows, applying the following parameters defined for the individual cash-generating units according to segment:

<b>According to segment, defined as cash-generating unit</b>	<b>Growth rates of the forward-project phase 2016 in %</b>	<b>WACCs 2016 in %</b>
Generics . . . . .	2.4%	10.3%
Branded Products . . . . .	2.7%	10.0%

The discounted cash flow method is used to determine the value in use of the cash-generating units, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. This detailed planning period reflects the assumptions for short and medium-term market developments. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. The detailed planning period for the determination of the value in use is based on assumptions in light of past experience, supplemented by current internal developments and verified through external market data and analyses. The most important assumptions include the development of future selling prices, amounts and costs, the influence of the regulatory market environment, investments, market shares, exchange rates and growth rates. Significant changes to the above-described assumptions would influence the determination of the value in use of the cash-generating units. The discount rates applied are determined on the basis of external factors derived from the market and adjusted for the respective predominant risks of the cash-generating units.

Changes in the calculation parameters used for the impairment tests may influence the fair values of cash-generating units. A sensitivity analysis was therefore carried out for the different cash-generating units with a 1.0 percentage points higher discount rate, a decrease in the growth rate of 0.5 percentage points and a decrease in EBIT of 10.0 percentage points. Using these assumptions, there was also no necessity for an impairment to any cash-generating unit.

(1) It should be noted here that as a result of the redefinition of the cash-generating units in financial year 2016, the results of the impairment test in financial year 2015 are not comparable with those of financial year 2016.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 25. Property, plant and equipment

Property, plant and equipment developed as follows in financial year 2016:

2016 in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other plants and business equipment	Advance payment and construction in progress	Total
<b>Cost as of Jan. 1, 2016</b> . . . . .	<b>263,806</b>	<b>225,444</b>	<b>102,389</b>	<b>27,780</b>	<b>619,419</b>
Currency translation . . . . .	1,193	3,555	2,235	– 11	6,972
Changes in the scope of consolidation . . . . .	—	—	– 122	—	– 122
Additions . . . . .	2,242	7,956	8,035	31,894	50,127
Additions from business combinations according to IFRS 3 . . . . .	1,519	2,047	628	—	4,194
Disposals . . . . .	18,061	16,733	7,796	148	42,738
Reclassification to non-current assets and disposal groups held for sale . . . . .	11,693	9,915	1,026	49	22,683
Transfers . . . . .	11,042	10,521	4,383	– 26,239	– 293
<b>Cost as of Dec. 31, 2016</b> . . . . .	<b>250,048</b>	<b>222,875</b>	<b>108,726</b>	<b>33,227</b>	<b>614,876</b>
<b>Accumulated depreciation as of Jan. 1, 2016</b> . . . . .	<b>95,410</b>	<b>132,349</b>	<b>70,043</b>	<b>—</b>	<b>297,802</b>
Currency translation . . . . .	806	3,274	669	—	4,749
Changes in the scope of consolidation . . . . .	—	—	– 119	—	– 119
Depreciation/amortization . . . . .	6,796	16,574	10,304	—	33,674
Impairment losses . . . . .	36	97	90	—	223
Disposals . . . . .	14,335	15,911	6,925	—	37,171
Write-ups . . . . .	—	—	—	—	—
Reclassification to non-current assets and disposal groups held for sale . . . . .	1,527	4,858	567	—	6,952
Transfers . . . . .	– 1	– 1	– 43	—	– 45
<b>Accumulated amortization as of Dec. 31, 2016</b> . . . . .	<b>87,185</b>	<b>131,524</b>	<b>73,452</b>	<b>—</b>	<b>292,161</b>
<b>Residual carrying amounts as of Dec. 31,</b> <b>2016</b> . . . . .	<b>162,863</b>	<b>91,351</b>	<b>35,274</b>	<b>33,227</b>	<b>322,715</b>
<b>Residual carrying amounts as of Dec. 31,</b> <b>2015</b> . . . . .	<b>168,396</b>	<b>93,095</b>	<b>32,346</b>	<b>27,780</b>	<b>321,617</b>

Property, plant and equipment included assets from finance leases, primarily relating to cars and vehicles, in the amount of € 4.4 million (previous year: € 2.8 million), which, in accordance with IAS 17, were recognized at the present value of minimum lease payments and have since been subjected to depreciation.

In the reporting year, reclassifications of non-current assets and disposal groups held for sale relate to two subsidiaries in Asia.

As in the previous year, no borrowing costs were capitalized for property, plant and equipment in financial year 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 25. Property, plant and equipment (Continued)

Property, plant and equipment developed as follows in the previous year:

2015 in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other plants and business equipment	Advance payment and construction in progress	Total
<b>Cost as of Jan. 1, 2015</b> . . . . .	<b>255,066</b>	<b>202,977</b>	<b>99,965</b>	<b>21,270</b>	<b>579,278</b>
Currency translation . . . . .	– 828	– 1,923	– 1,398	– 961	– 5,110
Changes in the scope of consolidation . . . . .	47	1	82	—	130
Additions . . . . .	2,698	10,110	5,542	34,521	52,871
Additions from business combinations according to IFRS 3 . . . . .	36	523	87	—	646
Disposals . . . . .	801	1,748	5,962	367	8,878
Reclassification from non-current assets and disposal groups held for sale . . . . .	482	—	—	—	482
Transfers . . . . .	7,106	15,504	4,073	– 26,683	0
<b>Cost as of Dec. 31, 2015</b> . . . . .	<b>263,806</b>	<b>225,444</b>	<b>102,389</b>	<b>27,780</b>	<b>619,419</b>
<b>Accumulated amortization as of Jan. 1, 2015</b> .	<b>88,738</b>	<b>119,149</b>	<b>65,961</b>	<b>—</b>	<b>273,848</b>
Currency translation . . . . .	– 763	– 2,035	– 654	—	– 3,452
Changes in the scope of consolidation . . . . .	—	—	—	—	—
Depreciation/amortization . . . . .	7,461	16,685	10,073	—	34,219
Impairment losses . . . . .	—	118	43	—	161
Disposals . . . . .	189	1,638	5,302	—	7,129
Write-ups . . . . .	—	—	—	—	—
Reclassification from non-current assets and disposal groups held for sale . . . . .	155	—	—	—	155
Transfers . . . . .	8	70	– 78	—	0
<b>Accumulated amortization as of Dec. 31, 2015</b>	<b>95,410</b>	<b>132,349</b>	<b>70,043</b>	<b>—</b>	<b>297,802</b>
<b>Residual carrying amounts as of Dec. 31,</b> <b>2015</b> . . . . .	<b>168,396</b>	<b>93,095</b>	<b>32,346</b>	<b>27,780</b>	<b>321,617</b>
<b>Residual carrying amounts as of Dec. 31,</b> <b>2014</b> . . . . .	<b>166,328</b>	<b>83,828</b>	<b>34,004</b>	<b>21,270</b>	<b>305,430</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 26. Financial assets

Financial assets developed as follows in financial year 2016:

2016 in € 000s	Shares in associates and other investments	Other financial assets	Total
<b>Cost as of Jan. 1, 2016</b> . . . . .	<b>16,085</b>	—	<b>16,085</b>
Currency translation . . . . .	– 157	—	– 157
Changes in the scope of consolidation . . . . .	0	—	0
Additions . . . . .	4,869	—	4,869
Disposals . . . . .	554	—	554
Reclassification from non-current assets and disposal groups held for sale . . . . .	—	—	—
Transfers . . . . .	—	—	—
<b>Cost as of Dec. 31, 2016</b> . . . . .	<b>20,243</b>	—	<b>20,243</b>
<b>Accumulated impairments as of Jan. 1, 2016</b> . . . . .	<b>14,746</b>	—	<b>14,746</b>
Currency translation . . . . .	– 183	—	– 183
Changes in the scope of consolidation . . . . .	—	—	—
Impairment losses . . . . .	3,450	—	3,450
Disposals . . . . .	6	—	6
Write-ups . . . . .	—	—	—
Reclassification from non-current assets and disposal groups held for sale . . . . .	—	—	—
Transfers . . . . .	—	—	—
<b>Accumulated impairments as of Dec. 31, 2016</b> . . . . .	<b>18,007</b>	—	<b>18,007</b>
<b>Residual carrying amounts as of Dec. 31, 2016</b> . . . . .	<b>2,236</b>	—	<b>2,236</b>
<b>Residual carrying amounts as of Dec. 31, 2015</b> . . . . .	<b>1,339</b>	—	<b>1,339</b>

Financial assets are primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices. There is currently no intention to sell these financial assets. Held-to-maturity financial investments were included under other financial assets. The impairment of financial assets recorded in the reporting year resulted in particular from the termination of substantial parts of the aesthetics business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 26. Financial assets (Continued)

Financial assets developed as follows in the previous year:

2015 in € 000s	Shares in associates and other investments	Other financial assets	Total
<b>Cost as of Jan. 1, 2015</b>	<b>18,859</b>	—	<b>18,859</b>
Currency translation	—58	—	—58
Changes in the scope of consolidation	—1,092	—	—1,092
Additions	615	—	615
Disposals	2,235	—	2,235
Reclassification from non-current assets and disposal groups held for sale	—	—	—
Transfers	—4	—	—4
<b>Cost as of Dec. 31, 2015</b>	<b>16,085</b>	—	<b>16,085</b>
<b>Accumulated impairments as of Jan. 1, 2015</b>	<b>16,823</b>	—	<b>16,823</b>
Currency translation	—3	—	—3
Changes in the scope of consolidation	—	—	—
Impairment losses	91	—	91
Disposals	2,165	—	2,165
Write-ups	—	—	—
Reclassification from non-current assets and disposal groups held for sale	—	—	—
Transfers	—	—	—
<b>Accumulated impairments as of Dec. 31, 2015</b>	<b>14,746</b>	—	<b>14,746</b>
<b>Residual carrying amounts as of Dec. 31, 2015</b>	<b>1,339</b>	—	<b>1,339</b>
<b>Residual carrying amounts as of Dec. 31, 2014</b>	<b>2,036</b>	—	<b>2,036</b>

### 27. Investments measured at equity

The disclosure relates to the accounting of shares in the associates BIOCEUTICALS Arzneimittel AG, as well as Pharm Ortho Pedic SAS, AELIA SAS and Dialogfarma LLC using the equity method. Investments measured at equity developed as follows in financial year 2016 compared with the previous year:

in € 000s	2016	2015
<b>As of Jan. 1</b>	<b>13,168</b>	<b>10,569</b>
Increase in investment share	—	3
Result from associates	704	1,419
Previous year adjustment	—	1,177
Elimination of dividend income	—	—
Currency translation differences	—	—
<b>As of Dec. 31</b>	<b>13,872</b>	<b>13,168</b>

In financial year 2016, the increase of the investment share in associates was due to the result of associates. The investment share in associates had increased in the previous year due to an adjustment of financial year 2014 recognized directly in equity on current account of the previous year in the amount of € 1.2 million.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 28. Trade accounts receivable

Trade accounts receivable are composed as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Trade accounts receivable from third parties . . . . .	589,952	589,664
Trade accounts receivable from non-consolidated companies . . . . .	6,923	1,298
Valuation allowances vis-à-vis third parties . . . . .	– 107,804	– 105,061
<b>Total . . . . .</b>	<b><u>489,071</u></b>	<b><u>485,901</u></b>

As of December 31, 2016, there are trade accounts receivable due after one year in the amount of € 3.3 million (December 31, 2015: € 1.1 million).

Collateral exists for a portion of trade accounts receivable whose value was not impaired in the form of bank or corporate guarantees as well as pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

The following non-impaired trade accounts receivable were past due at the reporting date:

in € 000s	Carrying amount	thereof: neither impaired nor past due as at the reporting date	thereof: not impaired as at the reporting date and past due in the following time band			
			up to 30 days	between 31 and 90 days	between 91 and 180 days	more than 180 days
Dec. 31, 2016 . . . . .	489,071	415,318	17,453	32,191	18,058	6,051
Dec. 31, 2015 . . . . .	485,901	443,106	20,081	14,286	7,717	711

There were no recognizable indications as of the reporting date that the debtors would not meet their payment obligations. Therefore, the trade accounts receivable that are not impaired and not past due are considered to be unconditionally recoverable. There are also no indications of impairment for the overdue receivables that have not been impaired.

Overall, valuation allowances on trade accounts receivable developed as follows:

in € 000s	2016	2015
<b>As of Jan. 1 . . . . .</b>	<b>105,061</b>	<b>117,430</b>
Added . . . . .	8,564	2,818
Utilized . . . . .	3,248	12,866
Reversed . . . . .	2,304	1,047
Changes in the scope of consolidation and reclassifications in accordance with IFRS 5 . . . . .	– 33	– 19
Currency translation differences . . . . .	– 236	– 1,255
<b>As of Dec. 31 . . . . .</b>	<b><u>107,804</u></b>	<b><u>105,061</u></b>

### 29. Other financial assets

Other financial assets are composed as follows:

in € 000s	Dec. 31, 2016		Dec. 31, 2015	
	Total	thereof: current	Total	thereof: current
Loan receivables . . . . .	234	—	6	6
Outstanding purchase price receivables . . . . .	1,070	765	4,024	3,559
Derivative financial assets . . . . .	9,914	9,914	27,461	26,702
Other financial assets . . . . .	33,112	29,201	51,506	44,012
<b>Total . . . . .</b>	<b><u>44,330</u></b>	<b><u>39,880</u></b>	<b><u>82,997</u></b>	<b><u>74,279</u></b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29. Other financial assets (Continued)

The outstanding purchase price receivables in financial year 2016 and also primarily in the previous year relate to the still-outstanding installments from the sale of a product portfolio in Italy.

The derivative financial assets include the positive market values of cross-currency swaps as well as of currency forwards (see Note 45.1.).

The remaining financial assets include accruals for price compensations in connection with tender contracts in the amount of € 14.1 million, receivables from the German factoring business in the amount of € 6.4 million and also comprise many immaterial individual items in the Group companies.

As of December 31, 2016, other financial assets included impairments in the amount of € 8.1 million (previous year: € 6.6 million). There are no outstanding amounts for non-impaired other financial assets.

### 30. Other assets

Other assets are composed as follows:

in € 000s	Dec. 31, 2016		Dec. 31, 2015	
	Total	thereof: current	Total	thereof: Current
Other receivables due from the tax authorities . . . . .	12,495	12,253	13,085	12,842
Prepaid expenses/deferred charges . . . . .	11,982	10,780	14,342	11,039
Assets from overfunded pension plans . . . . .	18	—	63	—
Other assets . . . . .	7,290	5,657	5,930	5,165
<b>Total . . . . .</b>	<b>31,785</b>	<b>28,690</b>	<b>33,420</b>	<b>29,046</b>

Remaining assets comprise many immaterial individual items in the Group companies.

Remaining assets are impaired in the amount of € 3.2 million (previous year: € 5.5 million).

### 31. Inventories

Inventories can be subdivided as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Materials and supplies . . . . .	93,156	97,992
Work in progress . . . . .	20,686	25,522
Finished goods and merchandise . . . . .	364,483	372,778
Advance payments . . . . .	6,579	5,228
<b>Total . . . . .</b>	<b>484,904</b>	<b>501,520</b>

In financial year 2016, impairments offset with reversals were made on the net realizable value of inventories in the amount of € 28.2 million (previous year: € 36.5 million), which were already deducted from the amounts shown above through profit and loss. In financial year 2016, reversals here amounted to € 7.7 million (previous year: € 7.2 million).

### 32. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits as well as current and highly liquid financial investments with a maximum term of 90 days from the purchase date. In certain countries, specific transactions are subjected to special monitoring in the context of the requirements of the respective national bank or foreign exchange acts in force. Restrictions on disposal for cash and cash equivalents amount to € 2.3 million (previous year: € 2.3 million) and, as in the previous year, exclusively relate to cash and cash equivalents in China.

The increase in cash and cash equivalents from € 143.2 million as of December 31, 2015 to € 352.6 million as of December 31, 2016 is primarily due to reporting date effects. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 33. Non-current assets and disposal groups held for sale as well as associated debts

As of December 31, 2016, assets in the amount of € 83.0 million and liabilities in the amount of € 14.6 million held for sale in the context of a disposal group were reported in a separate line item in the balance sheet. The disposal group relates to two subsidiaries STADA Vietnam J.V. Co. Ltd., Ho-Chi-Minh City, Vietnam, and STADA Import/Export International Ltd., Hongkong, China, which are expected to be sold in financial year 2017.

The assets and liabilities held for sale are divided between the following main groups:

Assets held for sale as of Dec. 31, 2016 in € 000s	Dec. 31, 2016	Dec. 31, 2015
Intangible assets . . . . .	28,314	—
Property, plant and equipment . . . . .	15,731	—
Other non-current assets . . . . .	88	—
Inventories . . . . .	24,451	—
Trade receivables . . . . .	9,743	—
Cash . . . . .	3,223	—
Other current assets . . . . .	1,410	—
<b>Assets held for sale . . . . .</b>	<b>82,960</b>	<b>—</b>
Liabilities held for sale as of Dec. 31, 2016 in € 000s	Dec. 31, 2016	Dec. 31, 2015
Deferred taxes . . . . .	5,574	—
Other non-current liabilities . . . . .	528	—
Trade payables . . . . .	5,588	—
Other current liabilities . . . . .	2,888	—
<b>Liabilities associated with assets held for sale . . . . .</b>	<b>14,578</b>	<b>—</b>

As the carrying amount of the disposal group was below fair value less disposal costs as of December 31, 2016, no impairment expense was recorded.

### 34. Equity

Group equity amounted to € 1,047.1 million as of the reporting date (previous year: € 1,018.5 million). This corresponds to an equity-to-assets ratio of 30.4% (previous year: 31.0%).

#### 34.1. Share Capital

As of December 31, 2016, share capital amounted to € 162,090,344.00 (December 31, 2015: € 162,090,344.00) and was divided into 62,342,440 registered shares (December 31, 2015: 62,342,440), each with an arithmetical share of share capital of € 2.60 per share, and is fully paid. Each share grants one vote in the Annual General Meeting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 34. Equity (Continued)

As of December 31, 2016, authorized share capital and conditional capital were comprised as follows:

	Amount in €	Shares	Purpose
Authorized capital . . . . .	77,134,304.00	29,667,040	Increase of share capital (until June 4, 2018)
Conditional Capital 2013 . . . . .	69,188,340.00	26,610,900	Settlement of options and/or conversion rights (until June 4, 2018) in connection with issued bonds with warrants and/or convertible bonds, participation rights and/or participating bonds in the total nominal amount of up to € 1.0 billion, or in the scope of a guarantee assumed for bonds with warrants and/or convertible bonds, participation rights and/or participating bonds issued by subordinate Group companies

#### 34.2. Capital reserve

Changes in the capital reserve of the Group are shown in the consolidated statement of changes in equity and particularly include the capital reserve of STADA Arzneimittel AG. Differences from the capital reserve determined according to the provisions of German commercial law primarily result from the recognition at their market value of the shares of STADA Arzneimittel AG newly issued in 2003 as well as the associated treatment of issuing costs, which were deducted from the capital reserve.

Changes in the capital reserve were solely the result of the change in treasury shares in financial year 2016. In the previous year the increase of capital reserve in particular resulted from STADA warrants 2000/2015 in the context of the exercise of options, which expired at the end of June 26, 2015.

#### 34.3. Retained earnings including net income

Retained earnings including net income comprise net income for the financial year as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized through other comprehensive income are reported under this item, taking deferred taxes into account.

In the context of measuring the defined benefit obligations as of December 31, 2016, net income in the amount of € 4.8 million after deferred taxes—not considering amounts attributable to non-controlling interests—resulted from the remeasurement. It is mainly based on the reduction of discount rate on which the remeasurement is based for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2016 in comparison with December 31, 2015.

#### 34.4. Other reserves

Other reserves include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are reported in the statement of changes in equity under the currency translation reserve. The reserve “available for sale” and the reserve for cash flow hedges include the results from the measurement at fair value of financial instruments categorized as available for sale, and the measurement results from cash flow hedges from the effective portion of the hedge, allowing for respective deferred taxes.

The reduction of other reserves compared with the previous year is primarily composed of the following opposing effects: On the one hand, the devaluation of the British pound sterling since December 31, 2015 led to expenses recognized directly in equity from the currency translation of financial statements of

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 34. Equity (Continued)

companies reporting in British pound sterling. On the other hand, the appreciation of the Russian ruble since December 31, 2015 has resulted in income recognized in equity from the currency translations of financial statements of companies reporting in the respective currency, which only partially compensated for the previously described expenses.

#### 34.5. Treasury shares

As of the reporting date, the Company held 85,043 treasury shares (previous year: 87,259), each with an arithmetical par value of € 2.60 per share, which is equivalent to 0.14% (previous year: 0.14%) of the share capital. In financial year 2016, 2,216 treasury shares were sold at an average price of € 36.31 per share within the scope of an employee share ownership plan.

#### 34.6. Shares relating to non-controlling shareholders

Shares of non-controlling shareholders relate to minority interests of other shareholders in the subsidiaries STADA Thailand, STADA Import/Export International, STADA Vietnam, Pymepharco, STADA Pharmaceuticals (Beijing), Well Light Investment Services, Hemomont and Hemofarm Banja Luka.

### 35. Other non-current provisions

Other non-current provisions made by STADA as of the reporting date in Germany and outside Germany include pension provisions and other non-current provisions in the form of anniversary provisions and provisions for working time accounts as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Germany . . . . .	13,157	11,464
Outside Germany . . . . .	22,840	17,405
<b>Total . . . . .</b>	<b><u>35,997</u></b>	<b><u>28,869</u></b>

In Germany, STADA has plan assets in the form of reinsurance policies, which are used to serve the pension entitlements of a small number of former employees. In addition, there are plan assets for a pension obligation which was outsourced to a pension fund. All further pension entitlements are financed internally in the scope of pension provisions. In addition, there are plan assets in a few foreign subsidiaries in the form of, among others, insurances, government bonds and securities funds.

In financial year 2016, the plan assets of one international subsidiary exceeded their pension obligations, with the result that these assets in excess were reported under other assets as assets from overfunded pension plans in the amount of € 0.02 million (previous year: € 0.1 million including Germany).

Plan assets were divided according to investment type as follows:

Share of plan assets in € 000s	2016	2015
Cash and cash equivalents . . . . .	1,245	682
Equity securities . . . . .	6,045	5,279
Debt securities . . . . .	18,983	13,811
Real estate . . . . .	1,813	1,359
Derivatives . . . . .	—	—
Shares in investment funds . . . . .	13,075	18,475
Insurance policies . . . . .	77,009	64,990
Other . . . . .	459	363
<b>Total . . . . .</b>	<b><u>118,629</u></b>	<b><u>104,959</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

The plan assets, which have a quoted market price, consist of the following:

Share of plan assets (quoted market price) in € 000s	2016	2015
Cash and cash equivalents . . . . .	1,245	682
Equity securities . . . . .	6,045	5,279
Debt securities . . . . .	18,983	13,811
Real estate . . . . .	1,813	1,359
Derivatives . . . . .	—	—
Shares in investment funds . . . . .	13,075	16,235
Insurance policies . . . . .	—	—
Other . . . . .	459	363
<b>Total</b> . . . . .	<b>41,620</b>	<b>37,729</b>

For German Group companies, pension obligations developed as follows:

Projected benefit obligations for pension commitments in € 000s	2016	2015
<b>As of Jan. 1</b> . . . . .	<b>48,748</b>	<b>52,474</b>
Current service cost . . . . .	36	38
Past service cost . . . . .	—	—
Plan settlements . . . . .	—	—
Interest cost . . . . .	1,163	1,043
Benefits paid from plan assets . . . . .	-114	-116
Benefits paid by employer . . . . .	-471	-477
Revaluations:		
• Gains (-) / losses (+) due to changed demographic assumptions . . . . .	—	—
• Gains (-) / losses (+) due to changed financial assumptions . . . . .	7,054	-4,291
• Gains (-) / losses (+) due to experience-based changes . . . . .	1,182	77
<b>As of Dec. 31</b> . . . . .	<b>57,598</b>	<b>48,748</b>

For international Group companies, pension obligations developed as follows:

Projected benefit obligations for pension commitments in € 000s	2016	2015
<b>As of Jan. 1</b> . . . . .	<b>81,583</b>	<b>75,462</b>
Current service cost . . . . .	2,719	1,829
Past service cost . . . . .	752	1,246
Plan settlements . . . . .	-472	-36
Interest cost . . . . .	2,256	2,084
Benefits paid from plan assets . . . . .	-1,333	-2,793
Benefits paid by employer . . . . .	-279	-615
Employee contributions . . . . .	492	490
Insurance premiums for death and disability benefits . . . . .	-217	-181
Business combinations . . . . .	—	—
Disposals . . . . .	-113	-278
Reclassifications . . . . .	-528	4,776
Revaluations:		
• Gains (-) / losses (+) due to changed demographic assumptions . . . . .	-1,124	31
• Gains (-) / losses (+) due to changed financial assumptions . . . . .	12,688	-3,899
• Gains (-) / losses (+) due to experience-based changes . . . . .	205	774
Currency changes . . . . .	-3,191	2,699
Other . . . . .	-96	-6
<b>As of Dec. 31</b> . . . . .	<b>93,342</b>	<b>81,583</b>

The past service cost is primarily attributable to a relief through new legal regulations of the minimum rate of return of future contributions of insurance-based pension contributions in Belgium as well as a one-time



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

additional expense in connection with the early payment of an additional benefit plan in Vietnam. Plan settlements relate to positive effects from the acquisition of retirement benefits from old contracts as well as, to a lesser extent, to principle payment benefits in Ireland.

Reclassifications carried out in the reporting year in the amount of € 0.5 million relate to two Asian subsidiaries, the pension obligations for which were reclassified as liabilities associated with current assets and disposal groups held for sale in accordance with IFRS 5. Furthermore, one plan was removed from the scope of consolidation due to the deconsolidation of the company STADA Egypt and reported under the corresponding disposals.

The fair value of plan assets underlying the pension obligations developed as follows for German group companies:

Fair value of plan assets in € 000s	2016	2015
<b>As of Jan. 1</b> . . . . .	<b>37,314</b>	<b>39,319</b>
Interest income . . . . .	766	660
Employer contributions . . . . .	-29	338
Employee contributions . . . . .	—	—
Pension payments . . . . .	-114	-116
Actuarial gains (+) / losses (-) on plan assets (not included in interest result) . . . .	6,504	-2,887
Other . . . . .	—	—
<b>As of Dec. 31</b> . . . . .	<b>44,441</b>	<b>37,314</b>

The fair value of plan assets underlying the pension obligations developed as follows for international Group companies:

Fair value of plan assets in € 000s	2016	2015
<b>As of Jan. 1</b> . . . . .	<b>67,645</b>	<b>62,029</b>
Interest income . . . . .	1,816	1,667
Employer contributions . . . . .	2,195	1,422
Employee contributions . . . . .	492	490
Pension payments . . . . .	-1,333	-2,793
Insurance premiums for death and disability benefits . . . . .	-217	-181
Business combinations . . . . .	—	—
Disposals . . . . .	—	—
Reclassifications . . . . .	—	4,454
Actuarial gains (+) / losses (-) on plan assets (not included in interest result) . . .	7,228	-1,722
Currency changes . . . . .	-3,456	2,453
Other . . . . .	-182	-174
<b>As of Dec. 31</b> . . . . .	<b>74,188</b>	<b>67,645</b>

The amount of the pension provisions recognized as of the reporting date for companies with plan assets is therefore as follows:

in € 000s	2016	2015
Projected benefit obligations for pension commitments . . . . .	137,452	118,991
Fair value of plan assets . . . . .	118,629	104,959
<b>Net obligation</b> . . . . .	<b>18,823</b>	<b>14,032</b>
Effect from the limit on a defined benefit asset according to IFRIC 14 . . . . .	—	—
<b>Net liability recognized in balance sheet</b> . . . . .	<b>18,823</b>	<b>14,032</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

The amount of the pension provisions recognized as of the reporting date for companies without plan assets is therefore as follows:

in € 000s	2016	2015
Projected benefit obligations for pension commitments . . . . .	13,488	11,340
<b>Net liability recognized in balance sheet . . . . .</b>	<b>13,488</b>	<b>11,340</b>

Expenses for defined benefit plans amounted to net expenses in the total amount of € 4.0 million in financial year 2016 (previous year: € 4.0 million) and consisted of the following components:

in € 000s	2016	2015
Current service cost . . . . .	2,755	1,867
Past service cost . . . . .	752	1,246
Plan settlements . . . . .	-472	-36
Net interest expense:		
• Interest expense (DBO) . . . . .	3,419	3,127
• Interest income (plan assets) . . . . .	-2,582	-2,327
• Interest income from reimbursement . . . . .	—	—
• Interest expense (+) / interest income (–) from the limit on an asset . . . . .	—	7
Administration costs . . . . .	153	131
Other . . . . .	—	0
<b>Total . . . . .</b>	<b>4,025</b>	<b>4,015</b>

The income from plan assets amounted to € 7.3 million in financial year 2016 (previous year: expense of € 2.2 million) for German group companies and € 9.0 million for international group companies (previous year: expense of € 0.1 million). The increase in plan assets for German Group companies is mainly due to an increase of the plan assets of an approval to the level of the gross obligation as a result of existing reinsurance; this is a consequence of a decreased measurement rate in financial year 2016. The increase in the plan assets abroad particularly results from an increase in the plan assets in the United Kingdom and the Netherlands.

The following actuarial parameters were used as a basis for measuring the German pension obligations and pension costs:

Parameters for pension obligations for German Group companies (weighted)	Dec. 31, 2016	Dec. 31, 2015
Discount rate . . . . .	1.7%	2.4%
Salary trend . . . . .	3.0%	1.9%
Benefits trend . . . . .	1.4%	1.4%
Inflation . . . . .	1.8%	1.8%

The increase in the salary trend is due to the fact that the last active plan participant in a pension plan will receive a pension from 2017 and this pension plan will no longer have a negative influence on the average salary trend.

The following actuarial parameters were used as a basis for measuring the international pension obligations and pension costs:

Parameters for pension obligations for international Group companies (weighted)	Dec. 31, 2016	Dec. 31, 2015
Discount rate . . . . .	2.1%	3.0%
Salary trend . . . . .	2.7%	2.6%
Benefits trend . . . . .	0.9%	0.9%
Inflation . . . . .	2.0%	1.9%

A sensitivity analysis was carried out in which only one assumption was changed in each case and all other assumptions were not changed. In the following, the change in the defined benefit obligation of the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

pension obligations (DBO) for German Group companies is presented according to a change in the discount rate, salary trends and pension trends.

**Change in the defined benefit obligation for pension obligations (DBO)  
as of December 31, 2016 (€ 57,598,000) according to changed assumption  
in € 000s**

	Dec. 31, 2016	Dec. 31, 2015
Discount rate +0.5% . . . . .	–5,376	–4,691
Discount rate –0.5% . . . . .	6,019	5,448
Salary trend +0.5% . . . . .	16	4,051
Salary trend –0.5% . . . . .	–11	–3,480
Pension trend +0.5% . . . . .	6,111	5,236
Pension trend –0.5% . . . . .	–5,284	–4,556

The salary trend is largely insignificant after the last active plan participant in a pension plan receives a pension from 2017.

In the following, the change in the defined benefit obligation of the pension obligations (DBO) for international Group companies is presented according to a change in the discount rate, salary trends and pension trends.

**Change in the defined benefit obligation for pension obligations (DBO)  
as of December 31, 2016 (€ 93,342,000) according to changed assumption  
in € 000s**

	Dec. 31, 2016	Dec. 31, 2015
Discount rate +0.5% . . . . .	–7,618	–6,599
Discount rate –0.5% . . . . .	8,575	7,532
Salary trend +0.5% . . . . .	867	793
Salary trend –0.5% . . . . .	–814	–767
Pension trend +0.5% . . . . .	4,850	4,033
Pension trend –0.5% . . . . .	–1,256	–1,132

As of December 31, 2016, the weighted duration of the pension obligations amounts to 20 years (previous year: 21 years) for German Group companies and 17 years (previous year: 17 years) for international Group companies.

In the coming financial years, the following payments from the Company and from plan assets overall are expected for defined benefit plans:

**Expected pension payments according to maturity dates  
in € 000s**

	Germany	Outside Germany
Less than 1 year . . . . .	1,673	3,627
Between 1 and 2 years . . . . .	1,726	3,947
Between 2 and 3 years . . . . .	1,987	3,148
Between 3 and 4 years . . . . .	1,982	2,875
Between 4 and 5 years . . . . .	1,992	2,995
Between 5 and 10 years . . . . .	9,957	17,949

For the coming financial year, employer contributions, consisting of direct pension payments and contributions to the plan, are expected in the amount of € 0.7 million for German Group companies and € 3.6 million for international Group companies.

The regulations of IAS 19 require a presentation of the benefit plans that generate obligations for the company. For the STADA Group, retirement benefit plans in Germany, the Netherlands, the United Kingdom and Switzerland account for the largest share of total obligations with 83%. Accordingly, the following details focus more on these countries.

In Germany, the legal framework for company pension plans is provided by the Company Pensions Act (Betriebsrentengesetz—BetrAVG), in which the minimum legal requirements for company pension plans are embedded. Regulation and legal precedents within labor law must also be followed. The retirement

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

benefit plans are predominantly based upon the final salary and are concluded with newly hired employees. Plan participants are primarily beneficiaries. Benefits are paid out in the form of a pension.

In Germany, STADA has plan assets in the form of reinsurance policies and in the form of assets in a pension fund. As of December 31, 2016, plan assets amounted to € 44.4 million and were composed of three different plans. There are no plan assets for two additional plans.

In the context of risk assessment, the life expectancy of plan participants plays a smaller role in Germany, as the material obligation regarding its amount and including associated risks was outsourced externally. Furthermore, there is also the common risk of the interest rate development and the risk that the real future salary development exceeds the salary development derived from assumptions taken in the evaluation.

The pension commitment for the former Chairman of the Executive Board was transferred to a pension fund in full in financial year 2014. Despite the transfer, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly in the balance sheet. The existing plan assets lead to a provision of zero due to offsetting that must be carried out at the time of the plan amendment for this benefit plan. Because the pension commitment is fully funded, no further provisions are expected in the future.

Pension legislation in the Netherlands requires pension plans to be backed by assets to such an extent that the vested benefits are completely covered. The underlying average career pension plan in the Netherlands is, in part, financed via insurance contributions that are designed to fulfill the aforementioned requirement. The plan is open for new employees and contains benefits that fall due in case of retirement or early death.

In the Netherlands, the pension plan is partially financed via contributions to an insurance company. Assets received by the insurance company cannot be allocated to specific participating companies. The assets cannot be determined by a quoted active market price, instead they are determined according to the amount of vested benefit obligations. As of December 31, 2016, plan assets amounted to € 26.9 million.

The Dutch company pays annual pension contributions. In the process, life expectancy risk and interest rate risk are transferred to the insurance company. The insurance company also assumes the risk of investing the proceeds. These risks are assumed by the insurance company for the entire term of the contract. If, for example, the discount rate used by the insurance company in its calculations should change, a new contract could be concluded that applies the new discount rate to underlie only future proceeds received.

Not all risks have been transferred to the insurance company. Dutch law for example specifies that former employees have the right to transfer their pension entitlements to the pension plan of a new employer. If the evaluation assumptions applied in the transfer differ from the originally applied assumptions of the insurance, the company could be required to pay an additional contribution payment.

In the United Kingdom, STADA provides its employees with defined benefit plans that are concluded for new hires. The employees can also no longer earn an additional increase in their entitlements. The pension plans are subject to the UK Trust Law and the UK Pension Regulator and are monitored by trustees who determine the investment strategy. The trustees are also responsible for fulfilling the legally required pension plan funding and ensuring sufficient assets to cover the technical provision of the plan. The pension plan is subject to risks relating to the discount rate and participant life expectancy as well as inflation risk, if these values develop contrary to expectations. If the discount rate is low, the level of funding decreases, which may require the payment of additional contributions. There is a financing risk in plan assets in that plan assets could develop contrary to expectations and plan assets could therefore only compensate in part for changes in the obligations.

In the long-term, 40% of the plan assets in the United Kingdom should be invested in so-called matching assets, which guarantee the fulfillment of future pension obligations under changing market conditions. In accordance with target allocation, the remaining 60% should be invested in so-called growth assets, for which an above-average rate of return is expected in comparison with the obligation development. As of December 31, 2016, plan assets amounted to € 23.3 million. All assets have quoted market prices on an active market.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

In Switzerland, all employers must offer their employees a pension plan according to federal pension law (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge—BVG). Employees whose salary exceeds the entry limit are obliged to be insured—this is re-determined periodically. The BVG requires a minimum plan (the “BVG minimum”) that must always be covered. STADA's Swiss benefit plan includes benefits in case of death, disability, departure and upon reaching retirement age. The annual pension is calculated based on a savings account and conversion rate determined according to the age of retirement. Plan participants can opt for a capital option.

The contributions for defined contribution plans, which are reported as expense in the respective period in the relevant functional areas, amounted to € 23.2 million in financial year 2016 (previous year: € 22.4 million).

The other non-current provisions developed as follows:

Other non-current provisions in € 000s	2016	2015
<b>As of Jan. 1</b> . . . . .	<b>3,434</b>	<b>3,243</b>
Current service cost . . . . .	295	282
Past service cost . . . . .	– 203	1
Plan settlements . . . . .	—	—
Interest cost . . . . .	223	207
Benefits paid . . . . .	– 330	– 443
Business combinations . . . . .	—	—
Revaluations		
• Gains (–)/losses (+) due to changed demographic assumptions . . . . .	22	19
• Gains (–)/losses (+) due to changed financial assumptions . . . . .	472	– 1
• Gains (–)/losses (+) due to experience-based changes . . . . .	– 230	132
Currency changes . . . . .	– 15	– 6
Reclassifications . . . . .	—	—
<b>As of Dec. 31</b> . . . . .	<b>3,668</b>	<b>3,434</b>

The following actuarial parameters were used as a basis for measuring the other long-term provisions:

Parameters for other long-term provisions for international Group companies (weighted)	Dec. 31, 2016	Dec. 31, 2015
Discount rate . . . . .	5.0%	6.7%
Salary trend . . . . .	4.0%	4.0%
Inflation . . . . .	3.3%	3.3%

### 36. Financial liabilities

Financial liabilities are comprised as follows in accordance with their remaining terms as of the balance sheet date:

in € 000s	Liabilities promissory note loans		Amounts due to banks		Liabilities from bonds		Total	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Remaining terms up to 1 year	43,993	187,734	90,351	86,938	—	—	134,343	274,672
Remaining terms over 1 year								
up to 3 years . . . . .	294,487	43,935	25,575	80,353	348,912	348,149	668,974	472,437
Remaining terms over 3 years								
up to 5 years . . . . .	307,665	314,252	542	—	—	—	308,207	314,252
Remaining terms over 5 years	61,314	—	—	—	297,918	297,524	359,232	297,524
<b>Financial liabilities</b> . . . . .	<b>707,459</b>	<b>545,921</b>	<b>116,468</b>	<b>167,291</b>	<b>646,830</b>	<b>645,673</b>	<b>1,470,757</b>	<b>1,358,885</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Financial liabilities (Continued)

The increase in financial liabilities was attributable to the securing of additional promissory note loans in the total amount of € 350.0 million, which will be used for the financing of the promissory note loans, which expired in financial year 2016 in the total amount of € 188.0 million.

The contractually agreed undiscounted cash flows, as of the reporting date December 31, 2016, from interest payments and repayment of financial liabilities for the coming years can be seen in the following table:

in € 000s	2017			2018			> 2019		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from financial liabilities . . . . .	22,471	2,396	125,066	20,347	2,322	383,350	35,734	2,508	966,789

The following projection of cash flows from financial liabilities was generated in the previous year:

in € 000s	2016			2017			> 2017		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from financial liabilities . . . . .	30,295	3,856	248,978	19,167	2,188	94,352	42,164	2,377	990,142

For the financial liabilities existing as of the reporting date, a repayment in accordance with the maturity disclosed in the balance sheet was generally assumed. For current liabilities due to banks, an extension of existing credit lines was partly assumed. The variable interest payments from the promissory note loans were determined based on the interest rate last fixed before December 31, 2016.

Internal measures to ensure the necessary liquidity for repayment of financial liabilities are detailed in the Notes on the capital management of liquidity risk (see Note 46.5.).

### 37. Trade payables

Trade payables are composed as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Trade payables to third parties . . . . .	244,138	252,278
Trade payables to non-consolidated Group companies . . . . .	3,784	115
Advances received on orders from third parties . . . . .	634	1,618
Liabilities from outstanding accounts . . . . .	88,288	74,476
<b>Total . . . . .</b>	<b>336,844</b>	<b>328,487</b>

Of the total amount of trade payables, € 0.0 million (previous year: € 0.0 million) are due after one year.

The change in trade payables primarily resulted from effects related to the reporting date, especially relating to deferrals for outstanding invoices. Furthermore, financial year 2016 saw an increase in comparison to the previous year resulting from business combinations reported in accordance with IFRS 3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. Other financial liabilities

Other financial liabilities are broken down as follows:

in € 000s	Dec. 31, 2016		Dec. 31, 2015	
	Total	thereof: current	Total	thereof: current
Outstanding purchase price liabilities . . . . .	5,609	3,616	3,972	1,545
Finance lease liabilities . . . . .	3,316	1,489	2,211	1,010
Liabilities from derivative financial instruments . . . . .	11,869	11,869	4,611	4,283
Other financial liabilities . . . . .	197,153	197,057	215,199	215,199
<b>Total . . . . .</b>	<b>217,947</b>	<b>214,031</b>	<b>225,993</b>	<b>222,037</b>

As of December 31, 2016, the outstanding purchase price liabilities were primarily attributable to outstanding contingent consideration for the acquisition of Argentinean company Laboratorio Vannier and product acquisitions in Italy and the United Kingdom.

As of December 31, 2015 the outstanding purchase price liabilities had mainly comprised amounts from the acquisition of the British Socialites group and various products in the United Kingdom, which were not yet due.

Finance lease liabilities, such as for vehicles and passenger vehicles, amount to € 3.3 million (previous year: € 2.2 million). Considering interest in the amount of € 0.6 million (previous year: € 0.3 million), lease installments payable in subsequent years total € 3.9 million (previous year: € 2.5 million). The lease liabilities are due as follows:

in € 000s	Lease installments		Interest		Finance lease liabilities	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Remaining terms up to 1 year . . . . .	1,807	1,214	318	204	1,489	1,010
Remaining terms over 1 year up to 3 years . . . . .	1,679	1,294	271	113	1,408	1,181
Remaining terms over 3 years up to 5 years . . . . .	402	22	17	2	385	20
Remaining terms over 5 years . . . . .	34	—	—	—	34	—
<b>Total . . . . .</b>	<b>3,922</b>	<b>2,530</b>	<b>606</b>	<b>319</b>	<b>3,316</b>	<b>2,211</b>

In addition, the negative market values of derivatives measured at fair value through profit or loss were reported in liabilities from derivative financial instruments. In financial year 2016, this related to cross-currency swaps and currency forwards (see Note 45.1.). Within the scope of the maturity date analysis, the following contractually agreed remaining terms result for these derivative financial liabilities:

in € 000s	Derivative financial liabilities	
	Dec. 31, 2016	Dec. 31, 2015
Remaining terms up to 1 year . . . . .	11,869	1,238
Remaining terms over 1 year up to 3 years . . . . .	—	3,328
Remaining terms over 3 years up to 5 years . . . . .	—	—
Remaining terms over 5 years . . . . .	—	—
<b>Total . . . . .</b>	<b>11,869</b>	<b>4,611</b>

Remaining financial liabilities include liabilities from discount agreements of German STADA companies in the amount of € 166.3 million (previous year: € 178.3 million) and furthermore comprise many insignificant individual items in the Group companies. The remaining financial liabilities fall due in the amount of € 197.2 million (previous year: € 215.2 million) within one year, in the amount of € 0.1 million after one year and up to five years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. Other financial liabilities (Continued)

The contractually agreed undiscounted cash flows, as of the reporting date December 31, 2016, from interest payments and repayment of finance lease liabilities and for the liabilities from derivative financial instruments for the coming years can be seen in the following table:

in € 000s	2017			2018			2019–2021		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from finance lease liabilities . . . . .	318	—	1,489	179	—	862	109	—	931
Cash flows from derivatives	156	—	—	—	—	—	—	—	—

The following projection of cash flows from finance lease liabilities as well as derivatives was generated in the previous year:

in € 000s	2016			2017			2018–2020		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from finance lease liabilities . . . . .	204	—	1,010	96	—	883	19	—	218
Cash flows from derivatives	1,465	—	—	107	—	—	—	—	—

Included were all financial instruments used by STADA which existed as of December 31, 2016 and for which payments had already been contractually agreed.

Further details on liabilities from derivative financial instruments can be found in the Notes on financial instruments Note 45. and Note 46.7.

### 39. Other financial liabilities

Other liabilities were comprised as follows:

in € 000s	Dec. 31, 2016		Dec. 31, 2015	
	Total	thereof: current	Total	thereof: current
Tax liabilities . . . . .	8,170	8,121	12,499	12,499
Personnel related liabilities . . . . .	64,308	64,308	47,387	47,254
Other liabilities . . . . .	47,424	46,504	44,548	42,628
<b>Total . . . . .</b>	<b>119,902</b>	<b>118,933</b>	<b>104,434</b>	<b>102,381</b>

Among other things, other liabilities include the share-based Executive Board remuneration from deferrals, which is calculated at fair value. Until the liability is settled, the fair value is to be calculated at each financial statement reporting date and at the date of settlement, and the changes in current fair values are to be recognized in the income statement through profit or loss.

In addition, personnel-related liabilities increased primarily due to reorganizational decisions and structural measures resulting from a changed corporate structure.

Remaining liabilities comprise many insignificant individual items in the Group companies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 40. Other provisions

Other provisions are composed as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Provisions set aside for damages . . . . .	1,425	1,082
Warranties . . . . .	18,848	21,450
<b>Total . . . . .</b>	<b><u>20,273</u></b>	<b><u>22,532</u></b>

Provisions set aside for damages include possible utilization from pending legal disputes including the associated legal costs and developed as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
<b>As of Jan. 1 . . . . .</b>	<b>1,082</b>	<b>343</b>
Added . . . . .	857	739
Utilized . . . . .	200	—
Reversed . . . . .	306	—
Currency translation differences . . . . .	— 8	—
<b>As of Dec. 31 . . . . .</b>	<b><u>1,425</u></b>	<b><u>1,082</u></b>

Utilization is expected within the next twelve months.

Provisions for warranties developed as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
<b>As of Jan. 1 . . . . .</b>	<b>21,450</b>	<b>17,099</b>
Added . . . . .	12,964	13,046
Utilized . . . . .	12,426	8,632
Reversed . . . . .	3,140	63
Changes in the scope of consolidation . . . . .	0	—
<b>As of Dec. 31 . . . . .</b>	<b><u>18,848</u></b>	<b><u>21,450</u></b>

### Other Disclosures

#### 41. Notes to the cash flow statement

Cash flow from operating activities consists of changes in items not covered by investments, financing, exchange differences on the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities improved to € 333.5 million in the reporting year (previous year: € 311.7 million). The increase in cash flow from operating activities of € 21.8 million compared to the previous year is primarily due to a comparatively significantly lower cash-effective increase of inventories and a cash-effective increase in trade accounts payable, although in the previous year a significant cash-effective decrease was recorded here. This positive effect on cash flow from operating activities was partly compensated by cash flows from other net assets that were significantly higher than the previous year.

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. It amounted to € – 172.7 million in the reporting year (previous year: € – 178.2 million).

In financial year 2016, payments for investments in intangible assets in the amount of € 76.1 million (previous year: € 81.4 million) were made, of which € 33.4 million (previous year: € 32.3 million) related to significant investments in intangible assets for the short-term expansion of the product portfolio. Acquisition-related sales growth was generally associated with these investments in the reporting year. Proceeds from the disposal of non-current assets amounted to € 11.0 million (previous year: € 11.8 million) in the financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41. Notes to the cash flow statement (Continued)

The cash flow from investing activities was particularly influenced by payments for investments in intangible assets in the financial year 2016, primarily relating to advance payments made for the development of approvals, trademarks and licence acquisitions in Germany and the United Kingdom. Furthermore, payments were also made for business contributions, in particular from the purchase of a product portfolio in Serbia, as well as the purchase of the British Natures Aid and the Argentinean Laboratorio Vannier.

Cash flow from financing activities amounts to €55.2 million in financial year 2016 (previous year: € –155.1 million) and encompasses payments from changes in financial liabilities, dividend distribution payments and payments for treasury shares as well as additions to shareholders' equity. This development was primarily attributable to the securing of additional promissory note loans in the total amount of € 350.0 million, which will be used for the refinancing of the promissory note loans expiring in financial year 2016 in the total amount of € 188.0 million. In addition, significantly fewer financial liabilities were repaid in the reporting year than in the previous year.

Dividend distribution payments of € 43.6 million primarily related to the dividend paid to the shareholders of STADA Arznei-mittel AG for financial year 2015.

Free cash flow as the sum of cash flow from operating activities and cash flow from investing activities amounted to € 160.9 million in financial year 2016 (previous year: € 133.5 million) and is therefore still significantly characterized by a high volume of acquisitions.

Free cash flow, adjusted for effects from payments for significant investments and acquisitions and effects of proceeds from significant disposals is calculated as follows:

in € 000s	2016	2015
Cash flow from operating activities . . . . .	333,522	311,748
Cash flow from investing activities . . . . .	– 172,666	– 178,217
+ Payments for investments in business combinations according to IFRS 3 . . .	52,901	56,778
+ Payments for significant investments in intangible assets for the short-term expansion of the product portfolio . . . . .	33,420	32,256
– Proceeds from disposals in significant disinvestments . . . . .	4,169	10,207
<b>Adjusted free cash flow . . . . .</b>	<b>243,008</b>	<b>212,358</b>

### 42. Segment Reporting

The measurement approaches for segment reporting are in accordance with the financial reporting methods used in the IFRS consolidated financial statements. Services between the segments are charged based on market prices.

Segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reclassified.

In the previous year, STADA aggregated business segments into the reportable segments of Generics and Branded Products, because the type of products, the sales methods and the regulatory framework conditions are largely comparable. According to the new reporting structure, which was introduced in the third quarter, the Group is now only managed by operating segment, i.e. according to the two segments Generics and Branded Products. This measure is primarily designed to take account of the growth strategy including central management of the segments, increasing internationalization of the Branded product portfolio as well as stricter cost control. As part of the changes to the reporting structures over the course of the current financial year, the non-core Commercial Business segment was integrated into the Generics segment. Therefore, the figures reported for the Generics segment for financial year 2016 as well as those for the previous year include the non-core activity Commercial Business, which was previously disclosed separately.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 42. Segment Reporting (Continued)

Generics are products for the health care market—usually with a drug character—which contain one or several active ingredients whose commercial property rights have expired and whose sales positioning complies with one of the two following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient,

or

- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active ingredients whose commercial property rights have expired,

or

- the product is sold under its international non-proprietary name (INN).

Branded Products are products for the health care market which contain one or several active ingredients whose commercial property rights have expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products,

or

- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

All other income, expenses and assets, which cannot be directly allocated to the segments, as well as the elimination of sales between segments are recognized under the reconciliation Group holdings/other and consolidation.

Disclosures on significant non-cash items include impairments on inventories and receivables; they do not, however, include depreciation and amortization as well as the offsetting of impairments and write-ups. In addition, further non-cash items, particularly non-cash effects from accruals for health insurance organization billings are included here. Reporting of the segment liabilities and non-current segment assets is waived, as this is without relevance for Group monitoring and for Group reporting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 42. Segment Reporting (Continued)

#### 42.1 Information by operating segment

in € 000s		2016	2015
<b>Generics</b> . . . . .	<b>External sales</b>	<b>1,280,757</b>	<b>1,261,444</b>
	Sales with other segments	3,431	398
	Total sales	1,284,188	1,261,842
	Operating profit	195,188	177,668
	Depreciation/amortization	50,535	49,770
	Impairment losses	9,858	5,480
	Reversals	3	—
	Other significant non-cash items within operating result	– 186,136	– 192,359
<b>Branded Products</b> . . . . .	<b>External sales</b>	<b>858,462</b>	<b>853,598</b>
	Sales with other segments	40	—
	Total sales	858,502	853,598
	Operating profit	81,361	130,043
	Depreciation/amortization	62,140	60,704
	Impairment losses	42,706	20,970
	Reversals	—	—
	Other significant non-cash items within operating result	– 29,358	– 32,466
<b>Reconciliation Group holdings/ other and consolidation</b> . . . . .	<b>External sales</b>	<b>1</b>	<b>87</b>
	Sales with other segments	– 3,471	– 398
	Total sales	– 3,470	– 311
	Operating profit	– 98,426	– 83,968
	Depreciation/amortization	4,506	8,175
	Impairment losses	12,916	6,750
	Reversals	—	—
	Other significant non-cash items within operating result	– 3,426	– 1,404
<b>Group</b> . . . . .	<b>External sales</b>	<b>2,139,220</b>	<b>2,115,129</b>
	Sales with other segments	—	—
	Total sales	2,139,220	2,115,129
	Operating profit	178,123	223,743
	Depreciation/amortization	117,180	118,648
	Impairment losses	65,480	33,200
	Reversals	3	—
	Other significant non-cash items within operating result	– 218,920	– 226,229

#### 42.2. Reconciliation of segment results to net profit

in € 000s	2016	2015
Operating segment profit . . . . .	276,549	307,711
Reconciliation Group holdings/other and consolidation . . . . .	– 98,426	– 83,968
Result from investments measured at equity . . . . .	703	1,419
Investment income . . . . .	24	138
Financial income . . . . .	2,716	1,170
Financial expenses . . . . .	54,137	68,667
<b>Earnings before taxes, Group</b> . . . . .	<b>127,429</b>	<b>157,803</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 42. Segment Reporting (Continued)

#### 42.3. Reconciliation of segment assets to Group assets

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Segment assets . . . . .	1,837,984	1,868,754
Reconciliation Group holdings/other and consolidation . . . . .	69,327	103,223
Other non-current assets . . . . .	42,231	60,332
Current assets . . . . .	1,490,902	1,255,106
<b>Total assets, Group . . . . .</b>	<b><u>3,440,444</u></b>	<b><u>3,287,415</u></b>

#### 42.4. Information by country

in € 000s	Sales developments by the business premises		Non-current assets	
	2016	2015	Dec. 31, 2016	Dec. 31, 2015
Germany . . . . .	532,138	482,838	551,812	577,247
Russian Federation . . . . .	265,459	315,755	234,046	192,230
United Kingdom . . . . .	259,369	252,383	470,204	525,101
Italy . . . . .	201,389	189,183	35,809	38,414
Spain . . . . .	117,084	117,190	61,312	61,687
Other regions . . . . .	763,781	757,780	551,893	575,958
<b>Total, Group . . . . .</b>	<b><u>2,139,220</u></b>	<b><u>2,115,129</u></b>	<b><u>1,905,076</u></b>	<b><u>1,970,637</u></b>

In the presentation of sales by the company's business premises, sales to third parties are shown according to the invoicing company's registered office of the countries listed.

Disclosures on assets by country relate to parts of the non-current assets (intangible assets, property, plant and equipment).

#### 42.5. Information about major customers

In accordance with IFRS 8.34, a company must provide notification when sales revenues from business activities from a single external customer amount to at least 10% of the company's total sales revenues. As in the previous year, this related to no customer in the reporting year.

### 43. Contingent liabilities

Contingent liabilities describe possible obligations with respect to third parties which result from past events and which may lead to a future outflow of resources depending on specific events. As of the balance sheet date, these contingent liabilities were considered improbable and are therefore not accounted.

STADA has contingent liabilities, among other things, in connection with patent risks for certain active pharmaceutical ingredients and associated pending or impending proceedings. The resulting possible obligations amounted to approx. € 12.9 million (previous year: € 12.4 million). The development compared with the previous year was primarily attributable to the elimination of possible liabilities in the amount of € 5.1 million, but also possible liabilities in the amount of € 4.5 million being recognized. Furthermore, a changed estimation relating to the high imminent outflow of resources for patent risks, which existed in the previous year, led to a further increase of contingent liabilities in the amount of € 1.1 million.

Provisions were not created for contingent liabilities as the probability of an outflow of assets is under 50%. Outflows potentially resulting from these risks would generally be short-term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44. Other financial obligations

In addition to the contingent liabilities, there were other future financial obligations, which can be broken down as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Operating lease liabilities . . . . .	69,111	81,288
Other financial obligations . . . . .	42,460	33,634
<b>Total . . . . .</b>	<b><u>111,571</u></b>	<b><u>114,922</u></b>

Liabilities from operating leases relate particularly to IT equipment and vehicles. In addition, there are liabilities from long-term rental agreements for office buildings with an average contract term of four years.

The total of future minimum lease payments under operating leases amounted to € 69.1 million as of the end of the financial year (previous year: € 81.3 million) and can be broken down according to remaining term as follows:

in € 000s	Operating leases Dec. 31, 2016	Dec. 31, 2015
Remaining terms up to 1 year . . . . .	28,673	32,151
Remaining terms over 1 year to 5 years . . . . .	37,860	39,473
Remaining terms over 5 years . . . . .	2,578	9,664
<b>Total . . . . .</b>	<b><u>69,111</u></b>	<b><u>81,288</u></b>

Lease payments in the amount of € 32.4 million (previous year: € 30.5 million) were recognized as an expense in financial year 2016.

There is still a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associate BIOCEUTICALS Arzneimittel AG which are recognized under the equity method.

STADA, as guarantor, has continued to recognize this guarantee as a financial guarantee in accordance with IAS 39 with a fair value in the amount of € 0.3 million in the reporting year (previous year: € 0.3 million). Utilization of this guarantee granted is currently not expected.

Furthermore, additional guarantees assumed by the STADA Group are included in other financial liabilities, among other things.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Disclosures about financial instruments

#### 45.1. Carrying amounts, valuation rates and fair values according to valuation categories

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are used for the valuation categories pursuant to IAS 39: LaR (loans and receivables), HtM (held-to-maturity investments), Afs (available-for-sale financial assets), FAHFT (financial assets held for trading), FLHFT (financial liabilities held for trading) and FLAC (financial liabilities measured at amortized cost).

in € 000s	Valuation rate balance sheet in accordance with IAS 39					Valuation rate balance sheet in accordance with IAS 39				
	Carrying amount Dec. 31, 2016	Valuation category pursuant to IAS 39	Fair value		Valuation rate in accordance with IAS 17	Fair Value Dec. 31, 2016	Carrying amount previous year	Fair value		Valuation rate in accordance with IAS 17
			Fair value not included in the income statement	Fair value included in the income statement				Fair value not included in the income statement	Fair value included in the income statement	
<b>Assets</b>										
Cash and cash equivalents . . . . .	352,580	LaR	—	352,580	—	352,580	143,178	—	143,178	—
Trade accounts receivable . . . . .	489,071	LaR	—	489,071	—	489,071	485,901	—	485,901	—
Available-for-sale financial assets . . . . .	2,236	Afs	—	2,236	—	2,236	1,339	—	1,339	—
Derivative financial assets without hedging relationship . . . . .	9,914	FAHFT	—	—	9,914	9,914	27,461	—	27,461	—
Other financial assets . . . . .	34,416	LaR	—	34,416	—	34,416	55,536	—	55,536	—
<b>Equity and liabilities</b>										
Trade accounts payable . . . . .	336,844	FLAC	—	336,844	—	336,844	326,869	—	326,869	—
Amounts due to banks . . . . .	116,468	FLAC	—	116,468	—	117,531	167,290	—	165,045	—
Promissory note loans . . . . .	707,459	FLAC	—	707,459	—	746,076	545,921	—	577,812	—
Bonds . . . . .	646,830	FLAC	—	646,830	—	665,138	645,673	—	659,125	—
Liabilities financial leasing . . . . .	3,316	n/a	—	—	—	3,316	2,211	—	2,211	—
Derivative financial liabilities with hedging relationship . . . . .	—	n/a	—	—	—	—	1,273	—	1,273	—
Derivative financial liabilities without hedging relationship . . . . .	11,869	FLHFT	—	—	11,869	11,869	3,338	—	3,338	—
Other financial liabilities . . . . .	202,763	FLAC	—	202,763	—	202,763	219,172	—	219,172	—
<b>Thereof aggregated according to valuation categories in accordance with IAS 39</b>										
Loans and receivables . . . . .	876,067	LaR	—	876,067	—	876,067	684,615	—	684,615	—
Available-for-sale financial assets . . . . .	2,236	Afs	—	2,236	—	2,236	1,339	—	1,339	—
Financial assets held for trading . . . . .	9,914	FAHFT	—	—	9,914	9,914	27,461	—	27,461	—
Financial liabilities measured at amortized cost . . . . .	2,010,364	FLAC	—	2,010,364	—	2,068,352	1,904,924	—	1,948,022	—
Financial liabilities held for trading . . . . .	11,869	FLHFT	—	—	11,869	11,869	3,338	—	3,338	—



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Disclosures about financial instruments (Continued)

Since cash and cash equivalents as well as trade receivables mainly have short remaining terms, their carrying amounts as of the closing date correspond approximately to the fair value.

Deviations of the fair values from the carrying amounts occur as shown in the chart above in the case of promissory note loans, bonds, as well as liabilities to banks. The cash flows calculated by means of the current yield curve were discounted to the measurement date to determine the fair values.

Available-for-sale financial assets are primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices.

The fair values of remaining financial receivables as well as of held-to-maturity financial investments with remaining terms of more than a year correspond to the present values of the payments connected with the assets taking into consideration the respective current interest parameters that reflect market and partner-related changes in the conditions and expectations. Trade payables as well as remaining financial liabilities also regularly have short remaining terms so that the recognized values approximate the fair values.

For the disclosures according to class of financial instrument necessary in accordance with IFRS 7, STADA defines each valuation category as a class.

The table below shows how the valuation rates of financial instruments measured at fair value were determined for the respective classes of financial instruments:

Fair values by levels of hierarchy in € 000s on a recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Financial assets held for trading (FAHfT)						
• Currency forwards . . . . .	—	—	4	—	—	3,118
• Interest rate/currency swaps . . . . .	—	—	—	—	9,910	24,343
Financial liabilities held for trading (FLHfT)						
• Currency forwards . . . . .	—	—	8,507	—	—	9
• Interest rate/currency swaps . . . . .	—	—	—	—	3,362	3,329
Derivative financial liabilities with hedging relationship						
• Cash flow hedges . . . . .	—	—	—	—	—	1,273

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If the need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period. In the financial year, there were no reclassifications among the respective hierarchy levels.

The fair values are analyzed in the context of the preparation of the financial statements. For this purpose, market comparisons and change analyses are carried out.

Derivative financial assets (FAHfT) and derivative financial liabilities (FLHfT) include positive or negative market values of derivative financial instruments (interest rate/currency swaps and foreign exchange swaps) not part of a hedging relationship. The fair values of currency forwards were calculated using financial mathematics based on current market data provided by a reputable information service, such as spot exchange rates or swap rates, in one system according to standardized procedures. In the previous year, the fair values were determined using appropriate valuation models by external third parties. This continued to apply for interest rate/currency swaps in the year under review. This includes the application of discounted cash flow methods, which are largely based on input parameters observable in the market. The cash flows which are already fixed or calculated by means of the current yield curve are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the balance sheet date. The same applies for the calculation of the fair values of the derivative financial

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Disclosures about financial instruments (Continued)

liabilities with a hedging relationship, which reflect the negative market values of the interest rate swaps in the previous year used as hedging instruments.

As STADA utilizes pricing information from external third parties without further correction in the determination of the fair value, and therefore does not produce any quantitative, non-observable input factors, the option of IFRS 13 to waive the disclosure of quantitative information on such input factors is taken.

Financial assets and liabilities allocated to hierarchy level 3 and recognized at fair value developed as follows in financial year 2016:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
<b>Balance as of Jan. 1, 2016</b>	<b>27,461</b>	<b>– 4,611</b>
Reclassification from level 2 . . . . .	—	—
Currency changes . . . . .	—	—
Total result . . . . .	– 32,436	524
• in the income statement . . . . .	– 32,436	– 749
• directly in equity . . . . .	—	1,273
Additions . . . . .	—	—
Realizations . . . . .	14,885	725
Reclassification in level 2 . . . . .	—	—
<b>Balance at December 31, 2016 . . . . .</b>	<b><u>9,910</u></b>	<b><u>– 3,362</u></b>
<b>Income recognized through profit or loss . . . . .</b>	<b>– 32,436</b>	<b>– 749</b>
Other income/other expenses . . . . .	– 24,132	– 212
thereof		
• attributable to assets/liabilities held as of the reporting date . . . .	– 3,024	– 239
Financial result . . . . .	– 8,304	– 537
thereof		
• attributable to assets/liabilities held as of the reporting date . . . .	– 358	205

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Disclosures about financial instruments (Continued)

Financial assets and liabilities allocated to hierarchy level 3 and measured at equity developed as follows as compared to the previous year:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
<b>Balance as of Jan. 1, 2015</b>	<b>33,250</b>	<b>–3,124</b>
Reclassification from level 2	—	—
Currency changes	—	—
Total result	–782	–1,728
• in the income statement	–782	–3,120
• directly in equity	—	1,392
Additions	—	—
Realizations	–5,007	241
Reclassification in level 2	—	—
<b>Balance at December 31, 2015</b>	<b>27,461</b>	<b>–4,611</b>
<b>Income recognized through profit or loss</b>	<b>–12,804</b>	<b>–3,120</b>
Other income/other expenses thereof	6,826	–2,890
• attributable to assets/liabilities held as of the reporting date	8,302	–2,653
Financial result thereof	–7,609	–230
• attributable to assets/liabilities held as of the reporting date	–7,332	–231

#### 45.2. Net earnings from financial instruments by valuation category

Net earnings recognized through profit or loss from financial assets and liabilities can be broken down as follows:

Net earnings by valuation category in € 000s	From interest and dividends	From subsequent measurement at fair value	Currency translation	Value adjustment	from disposals	Net earnings Dec. 31, 2016	Net earnings Dec. 31, 2015
Loans and receivables (LaR)	2,716	—	32,236	–5,972	—	28,980	–46,085
Available-for-sale financial assets (AfS)	24	—	—	–3,450	—	–3,426	3
Financial assets held for trading (FAHfT)	–1,055	2,296	—	—	–36,307	–35,066	–5,789
Financial liabilities measured at amortized cost	–39,120	—	8,595	—	—	–30,525	–54,414
Financial liabilities held for trading (FLHfT)	–686	–8,542	—	—	–19,873	–29,101	–15,617
<b>Total</b>	<b>–38,121</b>	<b>–6,246</b>	<b>40,831</b>	<b>–9,422</b>	<b>–56,180</b>	<b>–69,138</b>	<b>–97,453</b>

The disclosure of interest from financial instruments is made in financial income and financial expenses in the interest result. Dividends received are disclosed in investment income. With the exception of the valuation results from interest rate/currency swaps and/or currency swaps recognized at fair value through profit or loss, which are reported under financial income or financial expenses and partially also in the currency translation result, disclosure of the remaining components of net earnings is made in other income or other expenses. Earnings from the disposal of financial instruments relate to currency swaps expired in financial year 2016 and the partial fulfillment of cross-currency swaps.

Valuation results from financial assets held for sale and cash flow hedges, which are reported under other comprehensive income in equity, are not included in this presentation as they had no effect on income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### **46. Risk management, derivative financial instruments and disclosures on capital management**

#### **46.1. Principles of risk management**

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, all transactions above a certain limit determined to be relevant by the Executive Board must first be approved by the Executive Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks.

#### **46.2. Currency risks**

STADA's Group and balance sheet currency is euro. Due to the international alignment of business activities, STADA is subject to risks arising from exchange rate fluctuations.

On the one hand, these risks consist of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency as a result of exchange rate fluctuation (transaction risk).

However, STADA is only subject to this risk to a limited extent, as the company counters risks from currency-related fluctuations, alongside natural hedges, through the use of derivative financial instruments, which are used to hedge currency risks from operating activities, financial transactions and investments. In the reporting year, STADA made use of foreign-exchange futures contracts and interest / currency swaps. The maturity dates of futures contracts are thereby selected to match the Company's anticipated cash flows. The remaining term of the contracts is currently up to one year.

In the context of consolidated financial statements, on the other hand, exchange rate fluctuations lead to an accounting effect as a result of the conversion of the balance sheet items as well as the conversion of earnings and expenses of international Group companies with a different functional currency than euro (translation risk). The appreciation of the euro as compared to the other currencies is generally negative and devaluation is generally positive.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Risk management, derivative financial instruments and disclosures on capital management (Continued)

STADA determines quantitative disclosures on risks in connection with currency changes by means of aggregating all of the Group companies' foreign currency items that are not denominated in the respective Group company's functional currency. In case of hedging transactions they are compared with the positive or negative balances from the aggregation. This results in the subsequent material outstanding foreign currency items as of the respective reporting dates, which in case of a change to the foreign currency item due to a 10% appreciation or a 10% depreciation of the euro in comparison respective functional currency are as follows:

in € 000s	Dec. 31, 2016			Dec. 31, 2015		
	Kazakhstani tenge	US dollar	Ukrainian hryvnia	Kazakhstani tenge	Russian ruble	Ukrainian hryvnia
Outstanding foreign currency item . . . . .	+1,003	- 27,799	+5,651	- 16,944	+45,441	- 17,117
Income (+) / expense (-) from an appreciation of the euro in comparison to the respective functional currency by 10% . . . . .	- 2,126	+ 2,780	- 3,089	- 1,694	+ 1,341	- 3,721
Income (+) / expense (-) from a depreciation of the euro in comparison to the respective functional currency by 10% . . . . .	+ 2,126	- 2,780	+ 3,089	+ 1,694	- 1,341	+ 3,721
Equity increase (+) / equity reduction (-) from an appreciation of the euro in comparison to the respective functional currency by 10% . . . . .	- 2,552	+ 2,796	- 2,669	- 2,053	- 2,054	- 3,740
Equity increase (+) / equity reduction (-) from a devaluation of the euro in comparison to the respective functional currency by 10% . . . . .	+ 2,552	- 2,796	+ 2,669	+ 2,053	+ 2,054	+ 3,740

Here, any currency risk is isolated, i.e. it is taken into account without mutual dependencies.

The outstanding foreign currency items in Kazakhstani tenge, US dollar and Ukrainian hryvnia relate to a balance from international Group companies in euro and outstanding foreign currency reserves in Kazakhstani tenge, US dollar and Ukrainian hryvnia. The risk in connection with the outstanding foreign currency reserves in euro, from the Group's perspective, results from the functional currency of the respective international Group company. Overall, based on outstanding foreign currency items as of the reporting date, an appreciation or a devaluation of the respective functional currency by 10% compared to the currencies of relevance for the Group would have led to an effect on earnings in the amount of an expense of € 2.6 million (previous year: € 6.8 million) or in the amount of earnings of € 2.6 million (previous year: € 6.8 million).

#### 46.3. Interest rate risks

STADA is subject to interest risks from financial assets as well as financial debts, primarily in the Euro zone and Russia.

In order to minimize the effects of significant interest rate fluctuations, STADA manages the interest rate risk for the financial liabilities denominated in euro with hedging transactions. In financial year 2016, to hedge the interest rate risk, there were cash flow hedges in the form of interest rate swaps in the first six months. Taking into account these hedging transactions, an average of 85% (previous year: 85%) of financial liabilities denominated in euro and 100% (previous year: 100%) of those denominated in ruble had fixed interest rates in 2016.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Risk management, derivative financial instruments and disclosures on capital management (Continued)

STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity. The following factors—if relevant—are generally included in the calculation:

- changes in the market interest rate of interest rate derivatives designated as hedging instruments in the context of cash flow hedges,
- changes in the market interest rate of original financial liabilities with variable interest rates that are not hedged against interest rate risks, and
- changes in the market interest rate of interest rate derivatives not part of a hedging relationship.

in € million	Dec. 31, 2016	Dec. 31, 2015
Income (+) / expense (–) from an increase in the market interest rate level of 100 basis points . . . . .	– 1.4	– 0.7
Income (+) / expense (–) from a decrease in the market interest rate level of 100 basis points . . . . .	+0.6	– 0.7
Equity increase (+) / equity reduction (–) from an increase in the market interest rate level of 100 basis points . . . . .	—	+0.3
Equity increase (+) / equity reduction (–) from a decrease in the market interest rate level of 100 basis points . . . . .	—	– 0.3

#### 46.4. Default risks

STADA is exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations. Alongside the implementation of appropriate credit management processes, such transactions are generally only concluded with counterparties of impeccable financial standing to avoid default risks in financing activities.

Default risks also exist as a result of the supply of goods and services. STADA therefore strives to maintain business relations only with partners of impeccable financial standing. In addition, STADA partly uses suitable measures such as guarantees, loan insurances or the transfer of assets to safeguard itself against default risk. Overdue receivables in the operating area are continuously monitored and potential default risks are anticipated through the creation of valuation adjustments. In addition, there is the risk that in a difficult economic and financial environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

STADA's maximum credit default risk is calculated from the carrying amounts of the financial assets accounted. In addition, STADA granted guarantees, which amounted to a total nominal volume of € 25.3 million (previous year: € 25.3 million) as of the reporting date (see Note 44.). STADA has various forms of collateral for credit securities such as mortgages, bank or corporate guarantees, assignments of receivables and pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

#### 46.5. Liquidity risks

Liquidity risks may result, for example, from the loss of existing cash items, lack of availability of credit, reduced access to financing markets or fluctuation in the operational development of business. The goal of the liquidity management is to ensure solvency and financial flexibility of the STADA Group at all times by way of maintaining a sufficient supply of liquidity reserves and having free credit lines. STADA finances itself with short-term and long-term borrowings from banks, promissory note loans, bonds and factoring. Furthermore, STADA has solid operating cash flow and further bilateral credit contracts with various banks (credit lines), which can be utilized as needed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Risk management, derivative financial instruments and disclosures on capital management (Continued)

#### 46.6. Derivative financial instruments and hedging instruments

STADA counters risks from fluctuations in cash flow with derivative financial instruments, which are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In financial year 2016, there are cash flow hedges exclusively in the form of payer interest rate swaps in the first six months. Here, variable interest payments were transformed into fixed interest payments and the cash flow risk of variable interest liabilities is thus hedged. In the context of these hedging relationships, interest rate related cash flow changes of the hedged items are netted with cash flow changes of interest rate swaps.

In financial year 2016, no new payer interest-rate swaps were designated as cash flow hedges in order to secure interest payments from promissory note loans. The payer interest rate swap, accounted in the previous year, has expired in the current reporting year.

The total volume of currency and interest rate related derivatives is comprised as follows:

in € 000s	Dec. 31, 2016		Dec. 31, 2015	
	Nominal value	Fair Value	Nominal value	Fair Value
<b>Derivatives without hedging relationship</b>				
Interest rate/currency swaps . . . . .	48,621	6,548	69,337	21,015
Currency swaps . . . . .	188,634	–8,503	151,540	3,109
<b>Derivatives with hedging relationship</b>				
Interest rate swaps . . . . .	—	—	66,500	–1,273
thereof				
• fixed rate payer . . . . .	—	—	66,500	–1,273
• fixed rate recipient . . . . .	—	—	—	—
<b>Total . . . . .</b>	<b>237,255</b>	<b>–1,955</b>	<b>287,377</b>	<b>22,851</b>

All of the above hedging relationships presented above were effective until expiration. All changes in the fair value of the derivative hedging instruments were therefore recognized directly in equity under “Provisions for cash flow hedges” with no effect on profit or loss. In financial year 2016, the resulting earnings amounted to € 0.9 million after consideration of deferred taxes (previous year: € 1.1 million).

#### 46.7. Disclosures on capital management

The objectives of the STADA capital management are the safeguarding of the business operation, the creation of a solid equity base for financing profitable growth as well as guaranteeing attractive dividend payments and the capital service. The STADA capital management consistently aims for the Group companies to have an equity basis that corresponds to the local requirements. When implementing and checking the Group’s capital and liquidity the legal requirements are taken into account.

Capital is monitored on the basis of net debt, which results from current and non-current financial liabilities minus cash and cash equivalents as well as available-for-sale securities. An important key figure for capital management at STADA is the net debt to adjusted EBITDA ratio, which amounted to 2.8 in financial year 2016 (previous year: 3.1).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Risk management, derivative financial instruments and disclosures on capital management (Continued)

In this connection, the net debt and net debt to adjusted EBITDA ratio were as follows:

in € 000s	Dec. 31, 2016	Dec. 31, 2015
Non-current financial liabilities . . . . .	1,336,414	1,084,213
Current financial liabilities . . . . .	134,343	274,672
<b>Gross debt . . . . .</b>	<b>1,470,757</b>	<b>1,358,885</b>
cash, cash equivalents and “available-for-sale” securities . . . . .	352,580	143,178
<b>Net debt . . . . .</b>	<b>1,118,177</b>	<b>1,215,707</b>
<b>EBITDA (adjusted) . . . . .</b>	<b>405,750</b>	<b>389,385</b>
<b>Net debt to adjusted EBITDA ratio . . . . .</b>	<b>2.8</b>	<b>3.1</b>

### 47. Related party transactions

In the scope of the ordinary course of business, STADA Arzneimittel AG and/or its consolidated companies have entered into related party transactions. In accordance with IAS 24, “related parties” refers to directly or indirectly controlled subsidiaries that are not consolidated due to lack of material significance, associates and joint ventures as well as persons in key positions and their close relatives. In principle, all trades are settled with related companies and natural persons at market-rate conditions.

#### 47.1. Transactions with related persons

Persons in key positions are the members of governing bodies of STADA Arzneimittel AG, the remuneration of whom, including further information on the principles of the remuneration system, is presented in detail in the Group Management Report (see “Remuneration Report”), as well as the summary in Note 47. in relation to quantitative disclosures.

In the course of their normal professional activities, individual members of the Supervisory and Advisory Boards who are self-employed have business relations with STADA. These are not significant in regards to volume and nature.

In view of the fact that Steffen Retzlaff, the son of former Chairman of the Executive Board Hartmut Retzlaff, focuses on his responsibilities as Senior Vice President of the region Asia/Pacific & MENA, his other mandates—with the exception of his position as member of the Board of Directors of STADA MENA DWC-LLC and STADA Pharmaceuticals (Asia) Ltd.—ended in June 2016.

#### 47.2. Transactions with related companies

in € 000s	Dec. 31, 2016	Dec. 31, 2015
<b>Trade accounts receivable</b>		
Non-consolidated subsidiaries / joint ventures . . . . .	6,297	372
Associates . . . . .	—	202
Joint ventures . . . . .	—	—
Other investors . . . . .	626	745
<b>Trade payables</b>		
Non-consolidated subsidiaries / joint ventures . . . . .	3,753	113
Associates . . . . .	17	1
Joint ventures . . . . .	—	—
Other investors . . . . .	14	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Related party transactions (Continued)

Expenses and income essentially related to related party transactions as follows:

in € 000s	2016	2015
<b>Sales</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	6,585	—
Associates . . . . .	—	62
Joint ventures . . . . .	—	—
Other investors . . . . .	1,521	1,575
<b>Interest income</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	281	3
Associates . . . . .	—	8
Joint ventures . . . . .	—	—
Other investors . . . . .	—	—
<b>Interest expense</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	—	—
Associates . . . . .	3	1
Joint ventures . . . . .	—	—
Other investors . . . . .	—	—

In addition, the following disclosures on related party transactions are made:

STADA continues to provide the associate BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and which was not utilized as of December 31, 2016, as in the previous year.

There is a service contract with BIOCEUTICALS Arzneimittel AG, as well as distribution rights for Epo-zeta in Germany granted by BIOCEUTICALS Arzneimittel AG to, among others, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH. In some other European countries (such as Serbia or Russia, for example), a local STADA-owned subsidiary can also receive or has already received a local sales license at the same time.

Furthermore, STADA also has business relations with its fellow partner of the Chinese subsidiary STADA Import/Export International Ltd. As of the reporting date, outstanding loan liabilities in the amount of € 0.6 million resulted from this business relationship.

### 48. Remuneration of the Executive Board and the Supervisory Board

The aggregate remuneration of the Executive Board and the Supervisory Board including further information on the principles of the remuneration system are presented in detail in the Group Management Report (see “Remuneration Report”).

In summary, the following disclosures regarding the remuneration of the Executive Board and Supervisory Board at STADA Arzneimittel AG are made according to IAS 24 in consideration of the disclosure requirements of Section 314 (1) no. 6a sentence 1–4 of the German Commercial Code:

in € 000s	Fixed and variable current remuneration		Termination benefits		Expenses for pension commitments earned in the current year		Total remuneration in accordance with IFRS	
	2016	2015	2016	2015	2016	2015	2016	2015
Members of the Executive Board . . . . .	7,734 <sup>(1)</sup>	4,937 <sup>(2)</sup>	7,138 <sup>(3)</sup>	—	—	—	14,872	4,937
Members of the Supervisory Board . . . . .	1,072	1,073	—	—	—	—	1,072	1,073

(1) This includes the final calculation of the multi-year variable long-term special remuneration “long-term targets 2016” (year of target achievement), however only for the period of the actual implementation of the contracts, on which the remuneration is based, up to December 31, 2015 in the total amount of € 2,052,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Remuneration of the Executive Board and the Supervisory Board (Continued)

- (2) No progress payments on the variable long-term special remuneration were made for financial year 2015.
- (3) € 1,253,000 thereof is attributable to the continued salary payment and € 5,885,000 to a severance payment in connection with the end of the Executive Board appointment of Mr. Retzlaff as of August 15, 2016.

The variable current remuneration of Executive Board members, reported within other liabilities, includes a share-based payment as a long-term oriented remuneration component, which is paid in cash. The fair value of the share-based payment was calculated using the Monte Carlo model. As of December 31, 2016, the expense for the share-based payment amounted to € 1.0 million (previous year: € 0).

Remuneration to former members of the Executive Board amounted to a total of € 297,000 in financial year 2016. The present values of pension commitments for former Executive Board members amounted to € 52,113,000 as of December 31, 2016.

There were no loans granted to members of the Executive Board and Supervisory Board at STADA Arzneimittel AG as of the reporting date. Nor has STADA taken on any contingent liabilities for the benefit of the members of governing bodies of STADA Arzneimittel AG.

### 49. Fees for the auditor

In financial year 2016, the following professional fees were recognized as expenses for services rendered by the auditor of the consolidated financial statements, PKF Deutschland GmbH:

in € 000s	2016	2015
Fees for the auditor . . . . .	617	506
• thereof for audits . . . . .	370	348
• thereof for other confirmation services . . . . .	100	142
• thereof for other services . . . . .	147	16
• thereof for tax consultancy services . . . . .	—	—

The fees for audits relate to payment for the audit of the consolidated financial statements as well as the statements of STADA Arzneimittel AG and its German subsidiaries at the end of the financial year.

Other confirmation services include the review of the interim consolidated financial statements of June 30 of the corresponding financial year.

Other services include diverse consulting services.

### 50. Corporate governance

The declaration on the German Corporate Governance Code prescribed by Article 161 of the German Stock Corporation Act (AktG) was last issued by the Executive Board and Supervisory Board on March 2, 2017. The declaration is publicly available via the Company's website ([www.stada.de](http://www.stada.de) in German or [www.stada.com](http://www.stada.com) in English) and is also presented in the Annual Report.

### 51. Events after the reporting date

Events after the reporting date with a significant or possibly significant impact on the net assets, financial position and results of operations of the STADA Group:

- On January 23, 2017, the Supervisory Board announced the appointment of Dr. Barthold Piening as a full Member of the STADA Executive Board with effect from April 1, 2017. He will assume Executive Board responsibility for Production, Research and Development, Biotechnology as well as Quality Assurance and Control.

### 52. Dividend

According to the German Stock Corporation Act, the distributable dividend is determined according to the distributable profit reported by STADA Arzneimittel AG in its annual financial statements prepared in accordance with the rules and regulations of the German Commercial Code. This amounted to € 67,032,635.51 as of December 31, 2016. The Executive Board of STADA Arzneimittel AG proposes that



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 52. Dividend (Continued)

a dividend of € 0.72 per STADA share be appropriated from this distributable profit for financial year 2016. In financial year 2016, a dividend in the amount of € 0.70 per STADA share was distributed to shareholders from the distributable profit of financial year 2015.

Bad Vilbel, March 27, 2017



Dr. M. Wiedenfels  
Chairman  
of the Executive Board



H. Kraft  
Chief Financial,  
Marketing & Sales Officer

## RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the course of business and business performance and the net assets, financial position and results of operations of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 27, 2017



Dr. M. Wiedenfels  
Chairman of the Executive Board



H. Kraft  
Chief Financial, Marketing & Sales Officer

## AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by STADA Arzneimittel Aktiengesellschaft, Bad Vilbel, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt, March 27, 2017

PKF Deutschland GmbH  
Wirtschaftsprüfungsgesellschaft



Arno Kramer  
German Public Accountant



Annika Fröde  
German Public Accountant

## STADA CONSOLIDATED FINANCIAL STATEMENTS 2015

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## CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement for the period from Jan. 1 to Dec. 31 in € 000s	2015	Previous year	Note
Sales . . . . .	2,115,129	2,062,247	11.
Cost of sales . . . . .	1,101,709	1,070,441	12.
<b>Gross profit . . . . .</b>	<b>1,013,420</b>	<b>991,806</b>	
Selling expenses . . . . .	482,643	458,381	13.
General and administrative expenses . . . . .	178,364	152,817	14.
Research and development expenses . . . . .	64,993	56,905	15.
Other income . . . . .	20,032	20,067	16.
Other expenses . . . . .	83,709	155,243	17.
<b>Operating profit . . . . .</b>	<b>223,743</b>	<b>188,527</b>	
Result from investments measured at equity . . . . .	1,419	1,595	
Investment income . . . . .	138	132	
Financial income . . . . .	1,170	4,833	
Financial expenses . . . . .	68,667	70,393	
<b>Financial result . . . . .</b>	<b>– 65,940</b>	<b>– 63,833</b>	18.
<b>Earnings before taxes . . . . .</b>	<b>157,803</b>	<b>124,694</b>	
Income taxes . . . . .	40,638	54,586	19.
<b>Earnings after taxes . . . . .</b>	<b>117,165</b>	<b>70,108</b>	
thereof			
• distributable to shareholders of STADA Arzneimittel AG (net income) . . . . .	110,404	64,562	
• distributable to non-controlling shareholders . . . . .	6,761	5,546	20.
Earnings per share in € (basic) . . . . .	1.79	1.07	21.
Earnings per share in € (diluted) . . . . .	1.79	1.05	21.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in € 000s	2015	Previous year	Note
<b>Earnings after taxes</b> . . . . .	<b>117,165</b>	<b>70,108</b>	
<b>Items to be recycled to the income statement in future:</b>			
<b>Currency translation gains and losses</b> . . . . .	<b>8,928</b>	<b>– 125,206</b>	34.
thereof			
• income taxes . . . . .	352	1,613	
<b>Gains and losses on available-for-sale financial assets</b> . . . . .	<b>– 22</b>	<b>0</b>	45.
thereof			
• income taxes . . . . .	5	0	
<b>Gains and losses on hedging instruments (cash flow hedges)</b> . . . . .	<b>1,054</b>	<b>1,519</b>	45.
thereof			
• income taxes . . . . .	– 338	– 563	
<b>Items not to be recycled to the income statement in future:</b>			
<b>Revaluation of net debt from defined benefit plans</b> . . . . .	<b>2,822</b>	<b>– 15,617</b>	35.
thereof			
• income taxes . . . . .	– 23	5,294	
<b>Other comprehensive income</b> . . . . .	<b>12,782</b>	<b>– 139,304</b>	
<b>Consolidated comprehensive income</b> . . . . .	<b>129,947</b>	<b>– 69,196</b>	
thereof			
• distributable to shareholders of STADA Arzneimittel AG . . . . .	120,584	– 81,555	
• distributable to non-controlling shareholders . . . . .	9,363	12,359	

## CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of Dec. 31 in € 000s

Assets	Dec. 31, 2015	Dec. 31, 2014	Note
<b>Non-current assets</b> . . . . .	<b>2,032,309</b>	<b>2,013,819</b>	
Intangible assets . . . . .	1,649,020	1,631,516	24.
Property, plant and equipment . . . . .	321,617	305,430	25.
Financial assets . . . . .	1,339	2,036	26.
Investments measured at equity . . . . .	13,168	10,569	27.
Other financial assets . . . . .	8,718	11,729	29.
Other assets . . . . .	4,374	3,130	30.
Deferred tax assets . . . . .	34,073	49,409	19.
<b>Current assets</b> . . . . .	<b>1,255,106</b>	<b>1,321,639</b>	
Inventories . . . . .	501,520	498,785	31.
Trade accounts receivable . . . . .	485,901	502,794	28.
Income tax receivables . . . . .	21,182	30,711	19.
Other financial assets . . . . .	74,279	86,943	29.
Other assets . . . . .	29,046	37,866	30.
Non-current assets and disposal groups held for sale . . . . .	0	331	32.
Cash and cash equivalents . . . . .	143,178	164,209	33.
<b>Total assets</b> . . . . .	<b>3,287,415</b>	<b>3,335,458</b>	
Equity and liabilities	Dec. 31, 2015	Dec. 31, 2014	Note
<b>Equity</b> . . . . .	<b>1,018,530</b>	<b>903,339</b>	34.
Share capital . . . . .	162,090	157,629	
Capital reserve . . . . .	514,171	490,401	
Retained earnings including net income . . . . .	635,344	561,376	
Other provisions . . . . .	– 364,105	– 371,851	
Treasury shares . . . . .	– 1,458	– 1,504	
<b>Equity attributable to shareholders of the parent</b> . . . . .	<b>946,042</b>	<b>836,051</b>	
Shares relating to non-controlling shareholders . . . . .	72,488	67,288	
<b>Non-current borrowed capital</b> . . . . .	<b>1,282,577</b>	<b>1,246,693</b>	
Other non-current provisions . . . . .	28,869	30,097	35.
Financial liabilities . . . . .	1,084,213	1,042,998	36.
Other financial liabilities . . . . .	7,201	5,259	38.
Other liabilities . . . . .	2,053	1,640	39.
Deferred tax liabilities . . . . .	160,241	166,699	19.
<b>Current borrowed capital</b> . . . . .	<b>986,308</b>	<b>1,185,426</b>	
Other provisions . . . . .	22,532	17,442	40.
Financial liabilities . . . . .	274,672	448,703	36.
Trade accounts payable . . . . .	328,487	340,847	37.
Income tax liabilities . . . . .	39,444	33,726	19.
Other financial liabilities . . . . .	218,792	257,403	38.
Other liabilities . . . . .	102,381	87,305	39.
<b>Total equity and liabilities</b> . . . . .	<b>3,287,415</b>	<b>3,335,458</b>	

## CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in € 000s	Dec. 31, 2015	Dec. 31, 2014	Note
Net income . . . . .	117,165	70,108	
Depreciation and amortization net of write-ups of non-current assets	151,848	228,521	23.
Income taxes . . . . .	40,638	54,586	19.
Interest income and expenses . . . . .	64,434	69,151	18.
Result from investments measured at equity . . . . .	- 1,419	- 1,595	18.
Result from the disposals of non-current assets . . . . .	- 2,317	- 43	16.
Additions to/reversals of other non-current provisions . . . . .	6,125	- 17,039	35.
Currency translation income and expenses . . . . .	19,549	29,415	17.
Other non-cash expenses and gains . . . . .	229,469	214,001	18.
<b>Gross cash flow . . . . .</b>	<b>625,492</b>	<b>647,105</b>	
Changes in inventories . . . . .	- 52,918	- 57,959	31.
Changes in trade accounts receivable . . . . .	- 12,889	629	28.
Changes in trade accounts payable . . . . .	- 25,765	- 18,339	37.
Changes in other net assets, unless attributable to investing or financing activities . . . . .	- 127,020	- 237,705	
Interest and dividends received . . . . .	4,674	4,709	
Interest paid . . . . .	- 69,886	- 66,275	
Income tax paid . . . . .	- 29,940	- 48,355	
<b>Cash flow from operating activities . . . . .</b>	<b>311,748</b>	<b>223,810</b>	41.
Payments for investments in			
• intangible assets . . . . .	- 81,410	- 181,397	24.
• property, plant and equipment . . . . .	- 51,230	- 37,453	25.
• financial assets . . . . .	- 615	- 65	26.
• business combinations according to IFRS 3 . . . . .	- 56,778	- 55,054	8./41.
Proceeds from the disposal of			
• intangible assets . . . . .	4,689	8,007	24.
• property, plant and equipment . . . . .	832	3,953	25.
• financial assets . . . . .	498	29	26.
• shares in consolidated companies . . . . .	5,797	—	
<b>Cash flow from investing activities . . . . .</b>	<b>- 178,217</b>	<b>- 261,980</b>	41.
Borrowing of funds . . . . .	677,316	734,224	36.
Settlement of financial liabilities . . . . .	- 816,727	- 612,098	36.
Dividend distribution . . . . .	- 47,873	- 42,495	34.
Capital increase from share options . . . . .	28,224	3,029	34.
Changes in non-controlling interests . . . . .	3,918	1,006	34.
Changes in treasury shares . . . . .	53	45	34.
<b>Cash flow from financing activities . . . . .</b>	<b>- 155,089</b>	<b>83,711</b>	41.
<b>Changes in cash and cash equivalents . . . . .</b>	<b>- 21,558</b>	<b>45,541</b>	
Changes in cash and cash equivalents due to the scope of consolidation . . . . .	228	2,116	
Changes in cash and cash equivalents due to exchange rates . . . . .	299	- 9,611	
<b>Net change in cash and cash equivalents . . . . .</b>	<b>- 21,031</b>	<b>38,046</b>	
<b>Balance at beginning of the period . . . . .</b>	<b>164,209</b>	<b>126,163</b>	
<b>Balance at end of the period . . . . .</b>	<b>143,178</b>	<b>164,209</b>	

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of Changes in Shareholders' Equity in € 000s	2015	Number of shares	Share capital	Capital reserve	Retained earnings including net income	Provisions for currency translation	Provisions available for sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling shareholders	Group Equity
<b>Balance as of Dec. 31, 2015</b>		<b>62,342,440</b>	<b>162,090</b>	<b>514,171</b>	<b>635,344</b>	<b>-363,192</b>	<b>0</b>	<b>-913</b>	<b>-1,458</b>	<b>946,042</b>	<b>72,488</b>	<b>1,018,530</b>
Dividend distribution					-39,955					-39,955	-7,919	-47,874
Capital increase from share options		1,715,740	4,461	23,763						28,224		28,224
Changes in treasury shares				7					46	53		53
Adjustments of the previous year					1,177					1,177		1,177
Changes in retained earnings												
Changes in non-controlling interests					-92					-92	3,756	3,756
Changes in the scope of consolidation					2,434	6,714	-22	1,054		10,180	2,602	12,782
Other income					110,404					110,404	6,761	117,165
Net income												
<b>Balance as of Jan. 1, 2015</b>		<b>60,626,700</b>	<b>157,629</b>	<b>490,401</b>	<b>561,376</b>	<b>-369,906</b>	<b>22</b>	<b>-1,967</b>	<b>-1,504</b>	<b>836,051</b>	<b>67,288</b>	<b>903,339</b>
Previous year												
<b>Balance as of Dec. 31, 2014</b>		<b>60,626,700</b>	<b>157,629</b>	<b>490,401</b>	<b>561,376</b>	<b>-369,906</b>	<b>22</b>	<b>-1,967</b>	<b>-1,504</b>	<b>836,051</b>	<b>67,288</b>	<b>903,339</b>
Dividend distribution					-39,832					-39,832	-2,663	-42,495
Capital increase from share options		184,200	478	2,551						3,029		3,029
Changes in treasury shares				7					38	45		45
Changes in retained earnings												
Changes in non-controlling interests					-254						2,111	2,111
Changes in the scope of consolidation					-15,763	-131,860	-13	1,519		-254		-254
Other income					64,562					-146,117	6,813	-139,304
Net income										64,562	5,546	70,108
<b>Balance as of Jan. 1, 2014</b>		<b>60,442,500</b>	<b>157,151</b>	<b>487,843</b>	<b>552,663</b>	<b>-238,046</b>	<b>35</b>	<b>-3,486</b>	<b>-1,542</b>	<b>954,618</b>	<b>55,481</b>	<b>1,010,099</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### General Information

#### 1. Corporate information

STADA Arzneimittel Aktiengesellschaft (STADA Arzneimittel AG) as parent company of the STADA Group (hereafter referred to as “STADA”), based at Stadastrasse 2-18, 61118 Bad Vilbel, is an internationally oriented company based in Germany, which is active worldwide in the health care and pharmaceuticals market, especially in the core segments of Generics and Branded Products.

The consolidated financial statements of STADA Arzneimittel AG for financial year 2015 were approved for publication by the Executive Board on March 21, 2016.

#### 2. Basis of preparation

The consolidated financial statements prepared for STADA Arzneimittel AG as parent company as of December 31, 2015, were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC), as applicable in the European Union (EU), as well as in accordance with the supplementary provisions pursuant to Section 315a (1) of the German Commercial Code (HGB).

The financial year corresponds to the calendar year. The individual financial statements of the companies included in the scope of consolidation are prepared as of the same date as the consolidated financial statements.

The structure of the consolidated income statement follows the cost-of-sales method, according to which expenses incurred in generating sales are divided into functional areas. In the statement of comprehensive income, use was made of the option to present this separately from the consolidated income statement. The balance sheet classification distinguishes between non-current and current assets and liabilities, some of which are presented in detail in the notes according to their maturities.

The consolidated financial statements are prepared in euro. Unless otherwise indicated, figures in the notes are shown in euro thousands (€ 000s). Rounding is thus necessary, although this of course is not significant in its nature.

#### 3. Consequences of new or amended standards and interpretations

In financial year 2015, STADA has implemented the following change from the pronouncements and amendments to pronouncements of the IASB published by the IASB and endorsed by the EU which were first applicable as of January 1, 2015, which did not have any significant impact on the presentation of the business, financial and earnings situation or cash flow of STADA:

- **Amendments in the course of the “Annual Improvements to IFRSs 2010-2012 Cycle”:**

IFRS 8 “Operating Segments”: If business segments are aggregated to reportable segments, the judgments made by management for the identification of the reportable segments shall be disclosed. Furthermore, there was a clarification that a reconciliation of segment assets to the amounts recognized in the balance sheet shall only be carried out if this information is regularly reported to the chief operating decision maker.

**The following IFRS standards, which are not yet applicable, have been published by the IASB. The adoption into European law is still pending:**

In July 2014, IASB published the standard IFRS 9 “Financial Instruments”. IFRS 9 replaces IAS 39 and includes guidelines for the classification, recognition and valuation of financial instruments. Furthermore, IFRS 9 also includes guidelines on the accounting of hedging transactions. IFRS 9 is to be applied for financial years beginning on or after January 1, 2018. Earlier application is permitted. An examination of the impact of the application of IFRS 9 on the consolidated financial statements has not yet been completed. As a result of the new guidelines for the impairment of financial instruments, in some cases expected future losses can lead to earlier recognition of expenses.

In May 2014, IASB published the new standard IFRS 15 “Revenue from Contracts with Customers”. IFRS 15 governs the revenue recognition for contracts with customers in a 5-step model and in particular



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Consequences of new or amended standards and interpretations (Continued)

replaces the existing standards IAS 11 “Construction Contracts” and IAS 18 “Revenue”. IFRS 15 is to be applied for financial years beginning on or after January 1, 2018. Earlier application is permitted. An examination of the impact of the application of IFRS 15 on the consolidated financial statements has not yet been completed. Impacts are possible for the measurement dates of revenue in connection with licensing agreements.

In January 2016, the IASB published the new IFRS 16 “Leases” standard, which determines the recording of contractual rights (assets) and obligations (liabilities) associated with leases in the balance sheet for lessees. Lessees must therefore no longer classify leases as finance leases or operating leases. IFRS 16 is to be applied for financial years beginning on or after January 1, 2019. Earlier application is permitted. An examination of the impact of the application of IFRS 16 on the consolidated financial statements has not yet been completed. As a result of the accounting of assets and liabilities in the lessee’s balance sheet, as required by IFRS 16, an increase of the balance sheet total is expected at the point of initial application. Instead of leasing expenses, as a result of amendments to IFRS 16, future depreciation and amortization and interest expenses will be recorded in the income statement—with a corresponding positive impact on the EBITDA.

From today’s perspective no or no significant effects on the consolidated financial statements are expected from the future application of the further standards and interpretations not yet applied.

### 4. Changes in accounting policies

With the exception of the changed accounting policies listed in Note 3., there were no changes to accounting policies with significant consequences for the presentation of STADA’s business, financial and earnings situation or cash flow in financial year 2015.

### 5. Scope of consolidation

All significant subsidiaries, joint ventures and associated companies are included in the consolidated financial statements. Subsidiaries are companies that are directly or indirectly controlled by STADA and are therefore fully consolidated. Control exists if STADA Arzneimittel AG or its subsidiaries are in control of an investee, are exposed to variable backflows and, due to control over existing rights, are able to substantially influence the investee’s variable backflows. Control is usually substantiated by a share of voting rights of more than 50%.

Joint arrangements are characterized by joint control by two or more parties and should be classified as either joint operations or as joint ventures. In joint operations, the parties that exercise joint control possess the rights to assets and liabilities included in the agreement. In joint ventures, however, the parties involved possess rights to the company’s net assets. Joint ventures are to be included in the consolidated financial statements using the equity method.

Associated companies are companies over which STADA is able to exercise significant influence and which are not subsidiaries or joint ventures. They are included in the consolidated financial statements using the equity method.

Subsidiaries, joint ventures and associated companies whose influence, both individually and as a whole, on the business, financial and earnings situation of the STADA Group is insignificant, are not consolidated or accounted for using the equity method. Investments in these companies are accounted for either at fair value or at amortized cost under financial assets. Accumulated, the sales and balance sheet total of these companies make up less than 1% of total Group sales and/or the balance sheet total.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Changes in the scope of consolidation resulted regarding the number of subsidiaries, joint ventures and associated companies included in financial year 2015 and are as follows:

Number of companies in the scope of consolidation	Germany	Outside Germany	Total
<b>January 1, 2015</b> . . . . .	<b>12</b>	<b>67</b>	<b>79</b>
Acquisitions . . . . .	—	10	10
Disposals . . . . .	—	2	2
<b>December 31, 2015</b> . . . . .	<b>12</b>	<b>75</b>	<b>87</b>

As of January 1, 2015, the subsidiary located in the United Arab Emirates, STADA MENA DWC-LLC, Dubai, as well as the Egyptian subsidiary STADA Egypt Ltd., Cairo, were included in STADA's scope of consolidation.

In financial year 2015 there were also changes in the scope of consolidation due to the merger of the consolidated subsidiary Hemofarm Sabac d.o.o, Sabac, Serbia, with Hemofarm A.D., Vrsac, Serbia, also a consolidated subsidiary.

In addition, the acquisition of the Austrian company SCIOTEC Diagnostic Technologies GmbH was completed in accordance with corporate law in the third quarter of 2015. The initial consolidation of the acquired company as a subsidiary occurred on September 1, 2015. The initial inclusion of the Russian Dialogfarma LLC as an associated company took place as of August 1, 2015.

In the fourth quarter of 2015, British STADA UK Holdings, with its headquarters in Reading, United Kingdom, was able to expand its OTC business with the acquisition of six additional companies, which represent a business operation as defined in IFRS 3.

December 2015 saw the sale and therefore deconsolidation from the STADA scope of consolidation of the French STADA subsidiary Laboratoires d'études et de recherches en oligo éléments thérapie SA, Boulogne-Billancourt, France.

In the consolidated interim financial statements of the STADA Group, 83 companies were thereby consolidated as subsidiaries and four companies as associated companies as of the balance sheet date on December 31, 2015.

As in the previous year, the aforementioned chart includes BIOCEUTICALS Arzneimittel AG, which is included in the consolidated financial statements as an associated company according to the equity method. STADA holds 15.86% of the shares in this company. The significant influence is therefore not directly due to the amount of shares held, but instead is a result of STADA's representation in the supervisory body of BIOCEUTICALS as well as distribution rights granted for Epo-zeta in Germany through cell pharm Gesellschaft für pharmazeutische Präparate mbH and the associated significant business transactions.

As in the previous year, the aforementioned chart also includes both French companies Pharm Ortho Pedic SAS and AELIA SAS, pursuant to shareholdings of 25.0% and 20.0% acquired by STADA, which are included in the consolidated financial statements as associated companies in accordance with the equity method. The initial inclusion of the Russian company Dialogfarma LLC as an associated company took place as of August 1, 2015. The following condensed financial information is given for these four associates:

in € million	2015	2014
Share of result from continuing operations . . . . .	1.4	1.6
Share of result from discontinued operations . . . . .	—	—
Share of other comprehensive income . . . . .	—	—
<b>Share of comprehensive income</b> . . . . .	<b>1.4</b>	<b>1.6</b>
<b>Aggregate carrying amount</b> . . . . .	<b>13.2</b>	<b>10.6</b>

There are significant non-controlling interests in the Vietnamese subsidiaries Pymepharco Joint Stock Company and STADA Vietnam J.V. Co. of the STADA Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

In the following, the influence of other shareholders in these subsidiaries as of December 31, 2015 is presented:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2015 in € 000s	Accumulated non-controlling shares as of Dec. 31, 2015 in € 000s
Pymepharco . . . . .	Vietnam	41%	2,185	27,983
STADA Vietnam . . . . .	Vietnam	50%	3,633	31,137

The disclosures for the previous year are as follows:

Name of subsidiary	Headquarters/ place of founding	Share in voting rights of non-controlling interests	Result of non-controlling interests in 2014 in € 000s	Accumulated non-controlling shares as of Dec. 31, 2014 in € 000s
Pymepharco . . . . .	Vietnam	41.0%	1,570	24,730
STADA Vietnam . . . . .	Vietnam	50.0%	3,196	30,996

In the following, the financial information of both subsidiaries as of December 31, 2015 and for financial year 2015 is summarized:

in € 000s	Assets as of December 31, 2015		Liabilities as of December 31, 2015	
	current	non-current	current	non-current
Pymepharco . . . . .	57,079	40,712	8,743	10,159
STADA Vietnam . . . . .	45,771	36,466	6,281	8,558

in € 000s	Sales	Earnings after taxes in 2015		Total earnings in 2015	Dividends to non-controlling interests in 2015
		distributable to STADA	distributable to non-controlling interests		
Pymepharco . . . . .	53,849	3,033	2,185	8,192	2,249
STADA Vietnam . . . . .	55,827	3,594	3,633	9,982	4,863

The result of Pymepharco and STADA Vietnam distributable to STADA contains impairments on goodwill which have been accounted for in accordance with the partial goodwill method in the context of achieving control.

For the previous year, the following disclosures are made regarding the summarized financial information:

in € 000s	Assets as of December 31, 2014		Liabilities as of December 31, 2014	
	current	non-current	current	non-current
Pymepharco . . . . .	52,921	35,055	8,947	8,411
STADA Vietnam . . . . .	46,453	32,332	6,258	5,609

in € 000s	Sales	Earnings after taxes in 2014		Total earnings in 2014	Dividends to non-controlling interests in 2014
		distributable to STADA	distributable to non-controlling interests		
Pymepharco . . . . .	41,348	656	1,570	10,896	384
STADA Vietnam . . . . .	43,304	2,634	3,196	14,035	2,143

Subsidiaries, joint ventures and associated companies as well as all non-consolidated and other investments are included in the consolidated financial statements as investments and listed below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Direct investments of STADA Arzneimittel AG:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
AO Nizhpharm, Nizhny Novgorod, Russia . . . . .	100%	subsidiary
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany . . . . .	15.86%	associated company
Ciclum Farma, Unipessoal, LDA, Paco de Arcos, Portugal . . . . .	100%	subsidiary
Crinos S.p.A., Milan, Italy . . . . .	96.77%	subsidiary
EG Labo—Laboratoires Eurogenerics SAS, Boulogne-Billancourt, France . . . . .	100%	subsidiary
EG S.p.A., Milan, Italy . . . . .	98.87%	subsidiary
Grunenthal Ukraine LLC., Kiev, Ukraine <sup>(1)</sup> . . . . .	100%	not included
Laboratorio STADA, S.L., Barcelona, Spain . . . . .	100%	subsidiary
Mobilat Produktions GmbH, Pfaffenhofen, Germany . . . . .	100%	subsidiary
000 Hemofarm, Obninsk, Russia . . . . .	10%	subsidiary
000 STADA Marketing, Nizhny Novgorod, Russia . . . . .	10%	subsidiary
Oy STADA Pharma Ab, Helsinki, Finland . . . . .	100%	subsidiary
SCIOTEC Diagnostics Technologies GmbH, Tulln, Austria . . . . .	100%	subsidiary
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria . . . . .	100%	subsidiary
STADA d.o.o., Ljubljana, Slovenia . . . . .	100%	subsidiary
STADA d.o.o., Zagreb, Croatia . . . . .	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt . . . . .	83.33%	subsidiary
STADA (Shanghai) Company Management Consulting Co. Ltd., Shanghai, China . . . . .	100%	not included
STADA GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA LUX S.à R.L., Luxembourg, Luxembourg . . . . .	100%	not included
STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria . . . . .	100%	subsidiary
STADA PHARMA CZ, s.r.o., Prague, Czech Republic . . . . .	100%	subsidiary
STADA Pharma International GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India . . . . .	85%	not included
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia . . . . .	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China . . . . .	100%	subsidiary
STADA Pharmaceuticals Australia Pty Ltd., Sydney, Australia . . . . .	100%	not included
STADA Poland Sp. z o.o., Piaseczno, Poland . . . . .	100%	subsidiary
STADA Service Holding B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
STADapharm GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA UK Holdings Ltd., Reading, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through EG Labo—Laboratoires Eurogenerics SAS:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
AELIA SAS, Saint Brieuc, France . . . . .	20%	associated company
Pharm Ortho Pedic SAS, Trélazé, France . . . . .	25%	associated company

(1) Currently in the process of liquidation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Clonmel Healthcare Ltd., Clonmel, Ireland . . . . .	100%	subsidiary
Fresh Vape Electronic Cigarettes Ltd., Chesterfield, United Kingdom . . . . .	100%	subsidiary
Internis Pharmaceuticals Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Lowry Solutions Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Pegach AG, Egerkingen, Switzerland . . . . .	100%	subsidiary
Slam Trading Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Socialites E-Commerce Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Socialites Retail Ltd., Chesterfield, United Kingdom . . . . .	100%	subsidiary
Sundrops Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Thornton & Ross Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Thornton & Ross Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
LCM Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Thornton & Ross Ireland Ltd., Clonmel, Ireland . . . . .	100%	subsidiary
Zeroderma Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Slam Trading Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
LAS Trading Ltd., Chesterfield, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
ALIUD PHARMA GmbH, Laichingen, Germany . . . . .	100%	subsidiary
Blitz F15-487 GmbH, Bad Vilbel, Germany . . . . .	100%	not included
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
Crinos S.p.A., Milan, Italy . . . . .	3.23%	subsidiary
Croma Medic, Inc., Manila, The Philippines . . . . .	100%	subsidiary
EG S.p.A., Milan, Italy . . . . .	1.13%	subsidiary
Grippostad GmbH, Bad Vilbel, Germany . . . . .	100%	not included
Millipharma Produtos Médicos e Farmacêuticos Ltda., Vargem Grande Paulista, Brazil . . . . .	1%	not included
STADA Aesthetics AG, Bottighofen, Switzerland . . . . .	100%	not included
STADA CEE GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt . . . . .	16.67%	subsidiary
STADA Nordic ApS, Herlev, Denmark . . . . .	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India . . . . .	15%	not included
STADA (Thailand) Company, Ltd., Bangkok, Thailand . . . . .	60%	subsidiary
STADAvita GmbH, Bad Homburg, Germany . . . . .	100%	subsidiary



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH and through Blitz F15-487 GmbH:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Millipharma Produtos Médicos e Farmacêuticos Ltda., Vargem Grande Paulista, Brazil . . . . .	99%	not included

Indirect investments of STADA Arzneimittel AG through STADA GmbH:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA Medical GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Centrafarm Nederland B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
Hemofarm A.D., Vrsac, Serbia . . . . .	100%	subsidiary
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam . . . . .	49%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium . . . . .	90%	subsidiary
STADA MENA DWC-LLC, Dubai, United Arab Emirates . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and through Centrafarm Nederland B.V.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Centrafarm Services B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
Healthypharm B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
HTP Huisapotheek B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
Neocare B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
Quatropharma Holding B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium . . . . .	10%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., through Centrafarm Nederland B.V. and through Quatropharma Holding B.V.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Centrafarm B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
CIG (Hong Kong) Ltd., Hong Kong, China . . . . .	70%	not included
STADA Import/Export International Ltd., Hong Kong, China . . . . .	51%	subsidiary
STADA Pharmaceuticals (Beijing) Ltd., Beijing, China . . . . .	83.35%	subsidiary
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam . . . . .	50%	subsidiary
Well Light Investment Services JSC, Ho Chi Minh City, Vietnam . . . . .	49%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd. and through Well Light Investment Services JSC:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam . . . . .	10%	subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and through Pymepharco JSC and/or indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd., through Well Light Investment Services JSC and through Pymepharco JSC:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Dak Nong Pharmaceutical JSC, Dak Nong, Vietnam . . . . .	43%	not included
Phu Yen Export Import Pharmaceutical JSC, Phu Yen, Vietnam . . .	20%	not included
Quang Tri Pharmaceutical JSC, Quang Tri, Vietnam . . . . .	22%	not included

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Clonmel Healthcare Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
CNRD 2009 Ireland Ltd., Dublin, Ireland . . . . .	50%	not included
Crosspharma Ltd., Belfast, United Kingdom . . . . .	100%	subsidiary
Genus Pharmaceuticals Holdings Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
STADA Financial Investments Ltd., Clonmel, Ireland . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd., through Clonmel Healthcare Ltd. and through Genus Pharmaceuticals Holdings Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Britannia Pharmaceuticals Ltd., Reading, United Kingdom . . . . .	100%	subsidiary
Genus Pharmaceuticals Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd., through Clonmel Healthcare Ltd., through Genus Pharmaceuticals Holdings Ltd. and through Britannia Pharmaceuticals Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Brituswip Ltd., Newbury, United Kingdom . . . . .	50%	not included

Indirect investments of STADA Arzneimittel AG through AO Nizhpharm:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Dialogfarma LLC, Moscow, Russia . . . . .	50%	associated company
Nizhpharm-Kazakhstan TOO DO, Almaty, Kazakhstan . . . . .	100%	subsidiary
Nizhpharm-Ukraine DO, Kiev, Ukraine . . . . .	100%	subsidiary
OOO Aqualor, Moscow, Russia . . . . .	100%	subsidiary
OOO Hemofarm, Obninsk, Russia . . . . .	90%	subsidiary
OOO STADA CIS, Nizhny Novgorod, Russia . . . . .	100%	subsidiary
OOO STADA Marketing, Nizhny Novgorod, Russia . . . . .	90%	subsidiary
OOO STADA PharmDevelopment, Nizhny Novgorod, Russia . . .	100%	subsidiary
STADA M&D S.R.L., Bucharest, Romania . . . . .	100%	subsidiary
UAB STADA-Nizhpharm-Baltija, Vilnius, Lithuania . . . . .	100%	subsidiary
ZAO Makiz-Pharma, Moscow, Russia . . . . .	100%	subsidiary
ZAO Skopinpharm, Ryazanskaya obl., Russia . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through Ciclum Farma, Unipessoal, LDA:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA, LDA, Paco de Arcos, Portugal . . . . .	98%	not included

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through Laboratorio STADA, S.L.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA Genericos, S.L., Barcelona, Spain . . . . .	100%	not included
STADA, LDA, Paco de Arcos, Portugal . . . . .	2%	not included

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and through Hemofarm A.D.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Hemofarm Arabia Ltd., Damascus, Syria . . . . .	50%	not included
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina . . .	91.50%	subsidiary
Hemofarm Komerc d.o.o., Skopje, Macedonia <sup>(1)</sup> . . . . .	99.18%	not included
Hemofarm S.a.r.l., Constantine, Algeria . . . . .	40%	not included
Hemomont d.o.o., Podgorica, Montenegro . . . . .	71.02%	subsidiary
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, Germany . . . . .	100%	subsidiary
Jinan Pharmaceuticals Co., Jinan, China . . . . .	35.50%	not included
STADA HEMOFARM S.R.L., Temeswar, Romania . . . . .	100%	subsidiary
STADA IT Solutions d.o.o., Belgrade, Serbia . . . . .	100%	subsidiary
Velefarm A.D., Belgrade, Serbia . . . . .	19.65%	not included
Vetfarm A.D., Belgrade, Serbia . . . . .	15%	not included

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., through Hemofarm A.D. and through Hemopharm GmbH Pharmazeutisches Unternehmen:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
PharmaSwyzz Germany GmbH, Bad Homburg, Germany . . . . .	100%	not included

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and through Pegach AG:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Spirig HealthCare AG, Egerkingen, Switzerland . . . . .	100%	subsidiary

The exemption rule stated in Section 264 (3) HGB was applied to ALIUD PHARMA GmbH, BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, STADA GmbH, STADA Medical GmbH, STADA CEE GmbH, STADApHarm GmbH, STADAvita GmbH, STADA Pharma International GmbH and Mobilat Produktions GmbH.

### 6. Principles for the consolidation of subsidiaries, joint ventures and associated companies

According to IFRS, business combinations are to be accounted for using the acquisition method. Assets, liabilities and contingent liabilities from business combinations are generally recognized in full—irrespective of the amount of the shareholding—as of the acquisition date at their fair values. If the acquisition costs of the subsidiary acquired exceed the proportionate newly measured net assets of the acquiree, STADA recognizes the positive difference as goodwill. After critical examination of the premises underlying the purchase price allocation, a negative difference is recognized in income in the period of the acquisition. In a business combination achieved in stages, it is necessary to carry out a revaluation through profit or loss of the shares previously held at the date control was achieved. The shares of non-controlling interests are disclosed in the amount of their share in net assets of the subsidiary.

(1) Currently in the process of liquidation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Principles for the consolidation of subsidiaries, joint ventures and associated companies (Continued)

The acquisition of additional shares from an existing controlling position in a subsidiary is recognized directly in equity in accordance with IFRS 10, as it is a transaction between the equity investors.

Subsidiaries are generally included in the consolidated financial statements from the acquisition date to the end of control by the parent company. Receivables and payables, expenses and income, as well as earnings between the companies included in the consolidated financial statements are eliminated, intercompany value adjustments and provisions are released. If these consolidation measures result in deviations between the IFRS carrying amounts and the tax base of assets and liabilities, deferred tax liabilities are recognized.

Shares in associated companies are recognized according to the equity method at acquisition cost on the date when joint control is established (joint ventures) or when significant influence was established (associated company) and carried forward from this date in the amount of the proportionate share of earnings in the financial year. A positive difference determined during the purchase price allocation is recognized as goodwill in the carrying amount of the investment in the associated company. A negative difference is recognized in income in the period of the acquisition in the results from associated companies. Profit and loss from transactions with associated companies is recognized in the consolidated financial statements only according to the share of minority interests.

If indications arise from the application of IAS 39 that the carrying amount determined using the equity method might be impaired, an impairment test is carried out and, if applicable, an impairment loss in the amount of the difference between the carrying amount and the recoverable amount is recognized. The recoverable amount is the higher of the fair value less cost to sell and the value in use of the shares in an associated company.

### 7. Currency translation

The functional currency of STADA Arzneimittel AG is the euro and represents the reporting currency of the Group.

In the separate financial statements of companies included in the consolidated financial statements, foreign currency transactions are translated into the functional currency at the exchange rate applicable at the time of the transactions. On every balance sheet date, monetary items are translated using the closing rate and non-monetary items are translated using the transaction rate. Resulting currency translation differences are recognized in income as exchange gains or losses.

The translation of the companies included in the consolidated financial statements with a functional currency other than the euro into the Group functional currency is carried out using the closing rate method. Assets and liabilities are generally translated using the closing rate, while individual components of equity are translated using the historical rates at their respective dates of inflow from the Group's perspective. The income and expenses of the income statements are translated—and thereby also the resulting translation of the annual results to be entered in equity—using the average exchange rate of the period.

Currency translation differences arising from the use of different exchange rates are recognized directly in equity in the "Provisions for currency translation". These provisions are released and recognized in income if Group companies leave the scope of consolidation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Currency translation (Continued)

The exchange rate development of currencies important to STADA to the euro can be seen in the following chart:

Significant currency relations in local currency to € 1	Closing rate on Dec. 31 in local currency			Average rate for the reporting period		
	2015	2014	± %	2015	2014	± %
Pound sterling . . . . .	0.73390	0.77890	− 6%	0.72604	0.80640	− 10%
Swiss franc . . . . .	1.08350	1.20240	− 10%	1.06764	1.21480	− 12%
Russian ruble . . . . .	80.67360	72.35890	+ 11%	68.01339	52.56082	+ 29%
Serbian dinar . . . . .	121.62610	120.91898	+ 1%	120.75718	117.23329	+ 3%
Ukrainian hryvnia . . . . .	26.05560	19.23447	+ 35%	24.22888	15.40541	+ 57%
US dollar . . . . .	1.08870	1.21409	− 10%	1.10970	1.32989	− 17%

### 8. Business combinations

In financial year 2015, the following significant business combinations in the sense of IFRS 3 occurred, for which the preliminary purchase price allocation is described in more detail below.

In the fourth quarter of 2014, STADA acquired the British company Internis Pharmaceuticals Ltd., London, United Kingdom, which is active in the prescription area of therapeutic treatment of vitamin D3 deficiency. STADA achieved control upon conclusion of the contract on December 19, 2014. The company has been consolidated since this time.

The purchase price amounted to GBP 49.0 million and was completely paid in cash or cash equivalents. It contained certain contingent purchase price components. The conditional purchase price components amounted to a total of GBP 20.0 million and divided equally into two purchase price conditions. The first purchase price condition was to obtain a regulatory drug approval. The final purchase price was determined by the date of achieving the approval. The determination of the final purchase price of the second contingent purchase price component depended on certain changes regarding competitive parameters and determined sales targets. The amount recognized as of the acquisition date for the conditional consideration amounted to GBP 19.8 million. Due to the achievement of the regulatory drug approval at an early date and to unchanged competition parameters, the final purchase price amounted to GBP 49.0 million and included conditional purchase price components in the amount of GBP 20.0 million. The difference between the amount recognized for the conditional consideration and the final value of the conditional purchase price components in the amount of GBP 0.2 million was recognized under other expenses in the income statement.

In the context of the final purchase price allocation, goodwill in the amount of € 7.9 million resulted from this business combination and was broken down as follows:

#### in € million

Purchase price for 100% of the shares in the company approx. . . . .	62.0
Proportionate fair values of the assets and liabilities acquired approx. . . . .	54.1
<b>Goodwill . . . . .</b>	<b>7.9</b>

Goodwill here resulted primarily from the expansion of the presence and the sales activities in the market region Central Europe, as well as from the takeover of a highly qualified workforce.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations (Continued)

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

#### Fair values in € million

Intangible assets . . . . .	64.5
Other non-current assets . . . . .	1.2
Trade accounts receivable . . . . .	2.6
Other current assets . . . . .	1.2
Cash and cash equivalents . . . . .	4.9
<b>Assets . . . . .</b>	<b><u>74.4</u></b>
Deferred tax liabilities . . . . .	12.5
Other non-current liabilities . . . . .	2.8
Other current liabilities . . . . .	5.0
<b>Liabilities . . . . .</b>	<b><u>20.3</u></b>

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the measurement of assets acquired and liabilities assumed.

Sales generated in the market region Central Europe with the company Internis Pharmaceuticals amounted to approx. € 24 million in financial year 2015. The operating profit of this business combination adjusted for the effects of the purchase price allocation (approx. € 2 million) amounted to approx. € 9 million in the reporting period.

Moreover, in financial year 2015, there was an additional significant business combination in the context of the purchase of SCIOTEC Diagnostic Technologies, an Austrian pharmaceuticals company based in Tulln, which is primarily specialized in the development and marketing of non-prescription (OTC) products against enzymatic food intolerances, including relevant sales structures in order to strengthen STADA's branded product portfolio. The purchase price for this business was € 16.9 million.

In the context of the final purchase price allocation, goodwill in the amount of € 6.6 million resulted from this business combination and was broken down as follows:

#### in € million

Purchase price for 100% of the shares of the company approx. . . . .	16.9
Proportionate fair values of the assets and liabilities acquired approx. . . . .	10.3
<b>Goodwill . . . . .</b>	<b>6.6</b>

Goodwill thereby resulted primarily from strengthening the sales presence in the Austrian market, which belongs to the market region Central Europe, particularly in the area of branded products and the entry into a new field of activity.

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

#### Fair values in € million

Intangible assets . . . . .	11.8
Other non-current assets . . . . .	0.2
Other current assets . . . . .	2.7
<b>Assets . . . . .</b>	<b><u>14.7</u></b>
Deferred tax liabilities . . . . .	2.9
Other non-current liabilities . . . . .	0.5
Other current liabilities . . . . .	1.0
<b>Liabilities . . . . .</b>	<b><u>4.4</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations (Continued)

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the measurement of assets acquired and liabilities assumed.

Sales achieved with the company SCIOTEC Diagnostic Technologies in the market region Central Europe have amounted to approx. € 2 million since September 1, 2015. The operating profit of this business combination adjusted for effects from purchase price allocations (approx. € 0.2 million) amounted to approx. € 0.2 million in the reporting period. If STADA had already purchased SCIOTEC Diagnostic Technologies as of January 1, 2015, sales of approx. € 6 million and operating profit, adjusted for effects from the preliminary purchase price allocation (approx. € 1 million), of approx. € 1 million would have been achieved in 2015 assuming a linear development.

In the fourth quarter of 2015, STADA acquired the British Socialites group, based in Chesterfield. STADA achieved control upon conclusion of the contract on December 4, 2015. The purchase price amounted to GBP 21.0 million and will be/was completely paid in cash or cash equivalents.

In the context of a preliminary purchase price allocation, goodwill in the amount of € 12.2 million resulted from this business combination and was broken down as follows:

#### in € million

Purchase price for 100% of the shares of the company approx. ....	29.5
Proportionate fair values of the assets and liabilities acquired approx. ....	17.3
<b>Goodwill</b> .....	<b>12.2</b>

Goodwill thereby primarily resulted from an expansion of presence and sales activities in the Central European market region and in the British market in particular.

The following fair values were applied at the acquisition date for the assets acquired and liabilities assumed in the context of business combinations:

#### Fair values in € million

Intangible assets .....	20.1
Other non-current assets .....	0.4
Inventories .....	1.3
Other current assets .....	1.9
<b>Assets</b> .....	<b>23.7</b>
Deferred tax liabilities .....	3.7
Other non-current liabilities .....	0.0
Trade accounts payable .....	2.1
Other current liabilities .....	0.6
<b>Liabilities</b> .....	<b>6.4</b>

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the measurement of assets acquired and liabilities assumed.

Sales generated in the market region Central Europe with the Socialites group amounted to approx. € 1 million in financial year 2015. The operating profit of this business combination adjusted for the effects of the purchase price allocation (approx. € 0.0 million) amounted to approx. € 0.2 million in the reporting period. If STADA had acquired the Socialites group on January 1, 2015, sales of approx. € 12 million and operating profit, adjusted for effects from the purchase price allocation (around € 1 million), of approx. € 2 million would have been achieved on linear extrapolation in 2015.

For the strengthening of the core segment Generics, STADA and STADA subsidiary BEPHA Beteiligungsgesellschaft für Pharmawerte mbH signed a contract in the fourth quarter of 2015 to purchase the Argentinian generics producer Laboratorio Vannier S.A., which sells its products in niches which are

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations (Continued)

subject to few price regulations, particularly in the area of CNS (conditions of the central nervous system), cardiology and diabetes.<sup>(1)</sup> The purchase price amounted to USD 13.0 million (according to the exchange rate at the date of acquisition approx. €11.9 million) and was to be paid in cash or cash equivalents. The seller was a private individual. The purchase was completed in the first quarter of 2016. Through the acquisition, STADA also expanded its international sales network in a country, where the Group had not yet been represented with its own sales company.

With the goal of expanding its business activities in the area of dermatological treatments, STADA Arzneimittel AG started a co-operation with the Austrian company CROMA-PHARMA GmbH through its subsidiary STADA Aesthetics AG<sup>(1)</sup>, as part of which two sales companies were acquired on January 31, 2015. The long-term cooperation relates to the existing product portfolio as well as the CROMA-PHARMA product pipeline. Exclusive brand licensing rights and other distribution rights for STADA currently apply to Germany, Belgium, Italy, the United Kingdom, Sweden, Denmark, Finland, Norway, Hungary, Croatia and Hong Kong. In Germany and Belgium, STADA purchased the existing sales companies of CROMA-PHARMA with a total of five employees. It also includes the well-filled product pipeline, with products containing the active ingredient Botulinumtoxin A, which is currently in the clinical study phase 3 for application in cosmetic dermatology. The purchase price paid by STADA for the existing products and the pipeline as well as the two purchased sales companies in Germany and Belgium is in the single-digit million euro area. Once an approval of botulinum toxin A has been issued, a further payment in the single-digit million euro range will be due.

### 9. Accounting policies

STADA's consolidated financial statements are based on uniform accounting policies. The basis for these are the accounting requirements which are mandatory for all companies included in the consolidated financial statements and which are described in more detail below.

**Sales** are recognized when goods have been delivered or services rendered, provided that it is reasonably probable that measurable economic benefits will flow to the entity and that the substantial risks and rewards of ownership have been transferred to the buyer. It must also be possible to reliably measure the Company's own costs incurred or to be incurred.

Sales are recognized before taxes and after deduction of revenue reductions (rebates or discounts) at fair value of the consideration received or receivable. Expenses from the creation of provisions for warranties are deducted from sales on the basis of estimated amounts. The estimates are based on experience regarding amounts used in the past. The estimated expense from the creation of provisions is determined as a percentage of sales. Discounts to health insurance organizations are also recognized with a reduction on sales based on the respective contract in force.

Income and expenses from the same transactions are generally recognized in the same period. Expenses related to accruals for future revenue reductions are thus recorded in the period in which the sales are realized.

**Cost of sales** includes the costs of conversion of the products sold and the purchase price of commercial goods sold or given free of charge. The expense is recognized in the period in which the associated income is realized. In addition, cost of sales also includes costs directly attributable to the commercial goods (e.g. cost of materials and personnel expenses), overhead costs (e.g. depreciation of production equipment and regulatory drug approvals and licenses) as well as value adjustments of excess or obsolete inventories.

**Research expenses** are costs that are incurred in relation to the research activity of a company that aims to provide new scientific or technical findings. The product portfolio of the STADA Group continues to focus on products that do not require the Group to conduct its own research. Just as in previous years, no research expenses were thus incurred in financial year 2015.

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(1) See the Company's press release of December 10, 2015.

(1) See the Company's press release of December 17, 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

**Development expenses** consist of expenses involved initially in the technical implementation of theoretical discoveries in production and production processes and ultimately their commercial implementation.

As a rule, the objective of a development process at STADA is to obtain national or multinational regulatory drug approval. Development costs relative to approvals for new drugs obtained by STADA result in capitalization as intangible assets if all the following preconditions are met:

- It is technically possible to complete the asset (generally, achieve regulatory approval), enabling it to become available for use or sale.
- The intention and ability exist as well as the necessary resources to complete the asset and to use or sell it in the future.
- The intangible asset provides the Group with a future economic benefit.
- It must be possible to reliably calculate the development costs of the intangible asset.

STADA immediately recognizes development costs not eligible for capitalization as expense in the periods in which they are incurred. These include expenses for technical and regulatory maintenance of products sold.

**Interest income** is reported in the income statement as a component of financial income. In this regard, both interest income and interest expenses for all financial instruments measured at amortized cost as well as interest-bearing financial assets classified as available for sale are recognized on the basis of the effective interest rate.

Dividends received from companies not included in the consolidated financial statements are disclosed within the investment income. This shall be recognized when the shareholder's right to receive payment is established.

**Income taxes** include actual taxes on income as well as deferred taxes. The tax receivables and liabilities recognized in the balance sheet include demands or liabilities for income taxes in Germany and outside Germany from financial year 2015 as well as from previous years, if applicable. The tax receivables and liabilities are calculated on the basis of tax rates effective as of the balance sheet date or known and already concluded for the future in the countries in which the taxable income is generated.

Deferred taxes are created for temporary differences between the tax base of the assets or liabilities and their valuation rate in the IFRS financial statements as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that a taxable profit will result against which the temporary difference can be utilized. Deferred tax liabilities are recognized for temporary differences taxable in the future. STADA determines deferred taxes on the basis of tax rates applicable at the balance sheet date or those that have already been resolved and communicated for the future. Deferred tax receivables and liabilities are offset if these relate to the same taxation authority.

The tax expense in the period is recognized in the income statement, provided the changes in value that are recognized directly in equity are not affected. To the extent that there are changes in the tax rate with an effect on deferred taxes, the resulting effects are recognized in the period in which they arise.

**Goodwill** is not amortized over the period of useful life. Instead, an impairment test is performed at least once per year (impairment-only approach). For this purpose, goodwill is allocated to cash-generating units aggregated into market regions below the segment level, where a cash-generating unit corresponds to a market region within the three operating segments of the STADA Group for the purpose of an impairment test of goodwill.

STADA carries out impairment tests for capitalized goodwill at least once a year. Additional reviews also take place if indications of impairment become apparent. During the impairment test, the carrying amount of each cash-generating unit is compared with its recoverable amount. The carrying amount of a cash-generating unit comprises the carrying amounts of all assets and liabilities attributable to the valuation unit including the carrying amount of goodwill to be tested. If the recoverable amount of a cash-generating unit is lower than the carrying amount, an impairment loss results. The recoverable amount is generally defined as the higher of the fair value less costs to sell, if measurable, and the value in

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

use of the cash-generating unit. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. Significant assumptions which are taken in order to determine the value in use include assumptions regarding sales development, regulatory conditions, investments, the discount rate, currency relations as well as the growth rate. These assumptions are taken individually according to the individual situations for every cash-generating unit and are partly based on internally determined assumptions which reflect both past experience and include external market data.

**Other intangible assets** with determinable useful lives are recognized at cost and amortized on a straight-line basis over the period of their useful life. Amortization shall begin when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the intended manner. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for drug approvals or in preparation of drug approvals, software, concessions, property rights and similar rights is between three and 30 years. If on the balance sheet date, there are indications that these assets are impaired, the recoverable amount of the asset is re-evaluated and impairment losses are recognized according to the difference to the carrying amount. If the reasons for recognizing an impairment loss cease to exist, corresponding write-ups are carried out up to a maximum of the amortized cost.

Intangible assets with indeterminable useful lives are not amortized. In the context of annual impairment tests and additionally in all cases where there are indications of impairment, the recoverable amounts of these assets are compared with their carrying amounts and if necessary, an impairment loss is recognized. For this purpose, the fair value of the asset less costs to sell was determined using the relief from royalty method. At STADA, this affects the umbrella brand Hemofarm capitalized in the context of the acquisition of the Hemofarm group, as well as the umbrella brand Pymepharco capitalized in the context of achieving control over Pymepharco. Intangible assets that are not yet available for use are also generally put through annual impairment tests. Furthermore, in each reporting period, an audit is carried out to check whether the reasons for recognizing an indefinite useful life continue to exist.

Internal development costs are capitalized in accordance with the criteria in IAS 38. Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs, external services and directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years).

**Property, plant and equipment** is reported at cost less depreciation and any impairment losses plus write-ups. Depreciation shall begin when the asset is available for use and is accordingly in the condition necessary for it to be capable of operating. Subsequent acquisition costs are capitalized. Capitalization requires that a future economic benefit will flow to the company and that the cost of the asset can be reliably measured. Expenses for repairs and maintenance which do not represent significant replacement investments are recognized as expenses in the financial year in which they are incurred.

Items of property, plant and equipment are depreciated according to their useful life using the straight-line method. The depreciation period may be up to 50 years in the case of buildings, eight to 20 years in the case of technical facilities and three to 14 years for other plant and office furniture and equipment. The component approach, according to which every significant component of property, plant and equipment with different useful lives must be depreciated separately, is not applied at STADA due to a lack of relevance. To the extent necessary, impairment losses are recognized pursuant to IAS 36; these are reversed if the reasons for the original recognition of an impairment loss no longer exist.

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized as part of the cost of the intangible asset and property, plant and equipment. Other borrowing costs are not capitalized. Where acquisitions are made in a currency other than the respective functional currency, subsequent changes in exchange rates have no impact on the recording of original costs.

**Impairments on other intangible assets and property, plant and equipment** exist when the recoverable amount of an asset is lower than its carrying amount. At each balance sheet date, STADA assesses whether



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

indications for impairment are apparent. If this is the case, e.g. if certain defined critical values are exceeded, the asset's recoverable amount is determined. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, where the value in use is calculated with a discounted cash flow method. Under this procedure, future cash flows of intangible assets are discounted at the weighted average cost of capital, which is determined individually for various market regions with specific parameters. Expenses arising from impairments are recognized under "Other expenses".

For the purpose of impairment tests of other intangible assets and property, plant and equipment, cash-generating units within the STADA Group are defined at the level of individual assets within the reportable segments of Branded Products, Generics and Commercial Business.

If the reasons for an impairment no longer exist, the corresponding write-ups are carried out up to a maximum of the carrying amounts determined at amortized cost. Income from write-ups is reported under the item "Other income".

**Leases** are classified either as operating leases or as finance leases, depending on whether the significant risks and rewards of ownership remain with the lessor or with the lessee. The lease is not recognized in the lessee's balance sheet in case of operating leases. STADA records the lease payments for these leases in the income over the lease term. Assets from finance leases are, on initial recognition, recognized at the lower of the fair value of the lease and the present value of minimum lease payments, and are depreciated according to their estimated useful lives or shorter contractual period. An amount is reported as lease liability, when, on initial recognition, it corresponds to the lease's carrying amount and is extinguished and carried forward in subsequent periods with a constant effective interest rate. The interest that is part of the lease installment is recognized as an expense.

In addition, in case of sale and leaseback transactions that represent a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognized in the income statement over the lease term.

The total value of capitalized leases is not of material significance for STADA when compared with the total volume of fixed assets.

Under **financial assets**, STADA recognizes shares in non-consolidated, affiliated companies and other investments. Shares in associated companies and other investments are classified as available-for-sale financial assets and are generally reported at fair value with no effect on income. If no quoted market prices in an active market are available to measure these shares and their fair value therefore cannot be determined reliably, they are measured at amortized cost. If any objective indications of impairment are determined, these are quantified by means of an impairment test and recognized in profit or loss in accordance with IAS 39.

**Inventories** include such assets that are held for sale in the ordinary course of business (finished goods), that are in the process of production for such sale (work in progress), and that are consumed in the production process or in the rendering of services (materials and supplies). Inventories are measured at the lower of cost and net realizable value. Costs are calculated based on weighted average costs. Costs of sales include both costs that are directly incurred in production and overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included, but are instead recognized as an expense in the period in which they occur. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Financial assets** can be broken down into the following categories in accordance with IAS 39: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are accounted for and measured pursuant to IAS 39. Accordingly, financial assets are, as a rule, initially recognized at fair value. In addition, for financial assets which are subsequently measured at amortized cost, transaction costs directly attributable to the acquisition are to be taken into account. Different measurement policies apply for subsequent measurement in accordance with the applicable categories for financial assets pursuant to IAS 39.

**Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are allocated to current assets to the extent that they are due for

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

settlement within twelve months after the balance sheet date. STADA reports loans and receivables under “Trade accounts receivable”, “Other financial assets” and “Cash and cash equivalents”. They are measured at amortized cost using the effective interest method.

STADA reports receivables from derivatives which, if applicable, may also be part of hedge accounting, as **financial assets at fair value through profit or loss**. Assets in this category are reported under the “Other financial assets” item. They are measured at fair value. If these assets do not have a quoted market price in an active market, fair value is determined with appropriate measurement models. This includes the application of discounted cash flow methods, which are largely based on input parameters observable in the market. Changes in the fair values are recognized in profit and loss at the time of the increase or decrease in value.

**Held-to-maturity financial investments** include non-derivative assets with fixed or determinable payments and a fixed term that STADA intends to hold to maturity. They are measured at amortized cost using the effective interest method. STADA reports these assets in financial assets under the item “Other financial assets”.

**Available-for-sale financial assets** are non-derivative assets that are not allocated to any of the above categories. In particular, they comprise, in addition to shares in affiliated companies and other investments included in financial assets, equity securities which are recognized under “Other financial assets”. They are measured at fair value, with recognition of changes under “Provisions available for sale” directly in equity. These measurement results are reclassified through profit and loss upon sale or valuation allowance of these assets. There must be objective evidence that there is a significant or continuing decrease in fair value below cost. Published price quotations usually can be used for determining fair value.

**Trade accounts receivable** are measured at amortized cost less impairments using the effective interest rate method. Impairments are made in the form of individual impairments and general individual impairments for specific defaults and expected default risks resulting from the insolvency of customers. To quantify the expected default risk, STADA determines the expected future cash flows from receivables grouped by debtor. To this end, the maturity structures of net receivables and experience relating to derecognition of receivables in the past, the creditworthiness of the customers as well as changes in payment conditions are taken into account. In addition, a trade credit insurance that covers part of the loss in case of default is to be taken into consideration for various Group companies. The required impairment thus determined reduces the assets’ carrying amounts through recognition of an impairment account.

The loss is recognized in profit and loss under “Other expenses”. Bad debts are derecognized against the impairment account. Subsequent cash receipts for receivables already derecognized are presented net of expenses.

**Non-current assets and disposal groups held for sale** are classified as held for sale, if the related carrying amount will be recovered principally through a sale transaction rather than through continuing use, and if the sale is regarded as highly probable. Measurement of these assets is based on the lower of carrying amount and fair value less costs to sell.

**Cash and cash equivalents** include cash and call deposits as well as short-term and highly liquid financial investments with a maximum term of 90 days from the purchase date, which can be converted to cash immediately and are subject only to minor price fluctuation risks. They are measured at amortized cost. Cash and cash equivalents are reported in accordance with their definition in IAS 7.

Other assets, which are not based on any contractual rights involving the direct or indirect exchange of cash, are recognized under the item **Other assets**.

STADA maintains defined benefit plans in various countries, according to which the amount of pension benefits depends on the employees’ pensionable remuneration and the length of their service or which contain guarantees not permitting recognition as defined contribution plan. **Pension obligations** are measured in accordance with actuarial principles using the projected unit credit method. The pension provisions recognized in the balance sheet correspond to the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets adjusted for the effect resulting from any effect of limiting the benefit asset. In addition to earned pensions and entitlements, the calculation

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

also includes future salary and pension increases. For German Group companies, pension obligations are calculated based on the biometric accounting principles of the Heubeck 2005G mortality tables. Outside Germany, country-specific mortality tables are used. Future pension benefits are subject to individual pension agreements. The discount rate shall be based on long-term market yields on high quality corporate bonds with fixed interest rates at the end of the reporting period. In countries where there is no liquid market in such corporate bonds, the discount rate is determined on the basis of market yields on government bonds.

The standard IAS 19 only permits actuarial gains and losses to be recognized directly in equity. It differentiates between gains and losses due to changes in demographic assumptions, due to changes in financial assumptions as well as due to experience-based amendments. They are recognized directly in equity in the period in which they occur ("other comprehensive income, OCI"). The relevant amounts are reported separately in the consolidated statement of comprehensive income. For the calculation of the portion of the interest income on plan assets recognized through profit or loss, the standard IAS 19 requires the application of the discount rate underlying the obligation. The remainder of the actual income from plan assets is to be recognized directly in other comprehensive income. The current service cost is recorded in staff costs of the individual functional areas. All past service cost that arises in the financial year shall be recognized immediately through profit or loss.

Various Group companies additionally grant their employees defined contribution plans. Here, Group companies pay defined contributions to independent institutions due to legal or contractual requirements or on a voluntary basis; liabilities beyond this do not exist. Contributions to be paid for the respective plans are recognized as expense in the respective period in the relevant functional areas.

The **other non-current provisions** contain anniversary provisions as other long-term employee benefits. Commitments to anniversary payments are recognized in accordance with the guidelines in IAS 19 as other long-term employee benefits. In contrast to pension provisions, actuarial gains and losses are not recognized without an effect on the income statement. Such potential gains and losses are immediately recognized as income or expenditure in the relevant functional area. Furthermore, there is a working time accounts plan which is accounted for in the same way as commitments to anniversary payments.

**Other provisions** are made by STADA if there are current legal or constructive obligations to third parties arising from past events, which will probably lead to an outflow of resources embodying economic benefits that can be reliably determined. An outflow of resources embodying economic benefits is considered probable if it is more likely than not. Other provisions are recognized in an amount that, taking into account all recognizable risks, offers the best possible estimate of expenditures necessary to fulfill the obligations. Any existing reimbursement claims by third parties are not netted with other provisions. Expenses from the creation of provisions are allocated to functional costs according to where they arise. If changes in estimates result in a reduction of the obligation, the other provisions are reversed on a pro rata basis and recognized in profit and loss under the item where the original expense was recognized.

STADA reports all other provisions as current liabilities, because a settlement date within twelve months of the balance date is expected. The amounts recognized are not discounted. Liabilities incurred due to outstanding accounts or obligations to personnel and tax authorities, as well as other liabilities are not recorded as provisions, but under "Trade accounts payable" or "Other liabilities".

Differentiated from provisions, there are **contingent liabilities** for possible obligations based on past events but which will not become manifest until the occurrence of one or more uncertain future events, which are not under STADA's control. In addition, there are also contingent liabilities for current obligations, for which however the associated outflow of resources is not considered probable or the amount of the obligation cannot be adequately estimated. In accordance with IAS 37, such contingent liabilities are not recognized.

**Financial liabilities** are measured on initial recognition at fair value plus transaction costs directly attributable to the acquisition. For financial liabilities that subsequently continue to be measured at fair value, any transaction costs are recognized as an expense in the period in which they occur. This relates to the accounting of derivative financial instruments with negative market values that are not part of an effective hedging relationship and allocated to the category "at fair value through profit or loss" in

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

accordance with IAS 39. STADA reports these liabilities in the “Other financial liabilities” item. Here, those derivative financial instruments are also included which serve to hedge interest rate and currency risks resulting from operating activities, financial transactions and investments, and which are also measured at fair value in accordance with the regulations of IAS 39 on hedge accounting. Unless market prices are available, fair value is determined with measurement models based on discounted cash flow models.

**Derivative financial instruments** exist at STADA in the context of derivatives measured at fair value with an effect on income as well as in the context of derivative hedging instruments. In each case, depending on whether the market value of the derivatives is positive or negative, they are recognized under the item “Other financial assets” or “Other financial liabilities” (see accounting policies for financial assets and financial liabilities). Cash flow hedges, fair value hedges and hedges of net investments in a foreign operation can generally be recognized as derivative hedging instruments in the context of hedge accounting in accordance with IAS 39.

At STADA, cash flow hedges are used to hedge against fluctuations of cash flows associated with a recognized asset or a recognized liability or a highly probable planned transaction. Changes in the fair value of these hedging instruments are recognized in the amount of the effective part of the hedging relationship directly in equity under “Provisions for cash flow hedges”. A transfer to the income statement takes place in the period when the underlying hedged item becomes effective. The ineffective part of the changes in value is, however, recognized directly in the income statement.

In the context of fair value hedges, the risk of a change in fair value of recognized assets or recognized liabilities or fixed off balance liabilities is hedged. Changes in the fair value of these hedging transactions are recorded in profit and loss like changes in the fair value of the underlying hedged items. If the requirements for hedge accounting are no longer met, the carrying amounts of the previously hedged items are adjusted on the basis of their remaining terms. Hedges of net investments in a foreign operation are treated according to the same accounting policies as cash flow hedges.

STADA regularly reviews the effectiveness of the hedging relationships as a prerequisite for hedge accounting pursuant to IAS 39. A hedging transaction is in general considered to be effective, if changes in fair value of the hedging transaction are both prospectively and retrospectively within a range of 80% to 125% of the offsetting changes in fair value of the hedged item.

STADA measures all other financial liabilities, in particular trade accounts payable as well as financial liabilities, at amortized cost using the effective interest method.

STADA has so far not made use of the option to designate financial liabilities on initial recognition as financial liabilities to be recognized at fair value through profit or loss.

Other liabilities, which are not based on any contractual rights involving the direct or indirect exchange of cash, are recognized under the item “Other liabilities”.

### 10. Estimates, assumptions and discretion in the application of accounting principles

The presentation of the business, financial and earnings situation in the consolidated financial statements is determined by recognition and valuation methods. To a certain extent, STADA makes estimates and assumptions relating to the future that are based on past experience as well as other factors that are considered to be appropriate in the particular circumstances. Although the estimates and assumptions are constantly re-evaluated, estimates derived in this way may differ from actual circumstances. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed below.

As part of purchase price allocations in business combinations, goodwill is the difference between the acquired net assets evaluated according to IFRS 3 and the consideration transferred plus the fair value of the previously held shares and the amount recognized of non-controlling shareholders. Various valuation methods are used for this, which are primarily based on estimates and assumptions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. Estimates, assumptions and discretion in the application of accounting principles (Continued)

STADA carries out an impairment test for capitalized goodwill at least once a year. The discounted future cash flows of the cash-generating units aggregated to market regions below the segment level, which are based on certain assumptions, are to be determined for this purpose. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years based on approved budgets. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. The budget values for future financial years, which are subject to some uncertainty due to unforeseeable future legal developments and developments in the health care market, as well as the parameters determined in the context of current market information but also as a best possible estimate mean that the assessment of impairment may differ from actual circumstances, and despite good forecasts in the reporting year an impairment may be necessary in subsequent years.

For items of property plant and equipment and intangible assets, the expected useful lives and associated amortization or depreciation expenses are determined on the basis of the expectations and assessments of management. If the actual useful life is less than the expected useful life, the amount of depreciation or amortization is adjusted accordingly. As part of the determination of impairment losses on fixed assets, estimates relating to the cause, timing and amount of the impairments are also made. Particularly in the context of impairment tests for yet unused approvals, which are recognized as advance payments, the growth rates applied for the present value test as well as the long-term price and cost development of active pharmaceutical ingredients are based on best possible estimates. This also applies to the impairment tests of other intangible assets with indefinite useful lives.

Development costs are capitalized based on the assessment of whether the capitalization requirements of IAS 38 are met. Planning calculations are necessary to determine the future economic benefit, which are by their nature subject to estimates and may therefore deviate from actual circumstances in the future.

STADA makes valuation allowances on receivables in order to anticipate losses expected in relation to insolvency of customers. The maturity structure of the net receivables and past experience in relation to bad debts as well as the customers' creditworthiness are used as the criteria for evaluating the appropriateness of the valuation allowances. This does not, however, exclude the possibility that the actual derecognitions will exceed the expected valuation allowances due to a significant worsening in the financial situation of the customer. Accounting judgments and estimates regarding the assessment of the value of receivables relate particularly to impaired receivables from debtors in CEE countries.

STADA operates in various countries and is obliged to pay respective income taxes in each tax jurisdiction. In order to calculate the income tax provisions and the deferred taxes in the Group, the expected income tax as well as the temporary differences resulting from the different treatment of certain items according to IFRS and their accounting in accordance with tax law are each to be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed values, this has a corresponding effect on actual and deferred taxes and thus on the business, financial and earnings situation of the Group in the respective period. Furthermore, increasing importance within the STADA Group is being allotted to a comprehensive tax transfer-pricing model for the payment of intercompany services. Possible risks of non-recognition of these transfer prices for tax purposes are limited by the introduction of appropriate communication methods and an overarching definition of transfer prices in the form of a Group guideline.

When determining the fair values of derivatives and other financial instruments, for which no market price in an active market is available, valuation models based on input parameters observable in the market are applied. The cash flows, which are already fixed or calculated by means of the current yield curve using so-called "forward rates", are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the balance sheet date.

The amount of pension obligations from defined benefit plans is calculated using actuarial methods. This procedure is based upon assumptions, among other things, regarding the discount rate, life expectancy and future salary and pension increases. Changes to these assumptions can significantly influence the amount of future pension expenses.

The creation of other provisions is based on the assessment of management regarding the probability and amount of an outflow of resources. STADA creates provisions if there is a present external obligation and



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. Estimates, assumptions and discretion in the application of accounting principles (Continued)

a probable outflow of resources, i.e. if it is more likely to occur than not. Provisions in relation to pending legal disputes are created based on how STADA estimates the prospects of success of these methods. The determination of provisions for damages is also associated with substantial estimates, which can change due to new information. The same applies for the recognition of the amount of contingent liabilities.

Expenses from the creation of provisions for warranties are considered in sales and charged against income. Estimated values based on past experience are used for this purpose. This means that the actual expenses for warranties may differ from the estimate and sales would accordingly turn out to be higher or lower. The same applies for the consideration of discounts (e.g. discounts to health insurance organizations) prescribed by law and due to other regulatory requirements, which are recognized with a reduction on sales based on the respective underlying contract with an estimated amount in expectation of probable sales.

### Notes to the Consolidated Income Statement

#### 11. Sales

STADA's sales primarily result from the supply of products. For information on the reporting of sales, please refer to the details included in Accounting Policies.

In 2015, the increase in sales compared to 2014 was primarily based on the good sales development in the market regions Central Europe and Asia/Pacific & MENA. This development was mainly characterized by the acquisition of the British company Internis as well as an increase in sales in the United Kingdom, Spain, Italy and Vietnam. Exchange rate effects and portfolio changes had a total influence of € 28.7 million on sales in the reporting year. For information on how sales are broken down according to segments and market regions, please refer to the Segment Reporting in Note 42.

#### 12. Cost of sales

Cost of sales is divided into the following items:

in € 000s	2015	2014
Material expenses . . . . .	874,066	853,464
Impairment, depreciation and amortization . . . . .	101,497	100,779
Expenses from inventory write-downs . . . . .	36,545	33,747
Remaining cost of sales . . . . .	89,601	82,451
<b>Total . . . . .</b>	<b>1,101,709</b>	<b>1,070,441</b>

Impairment, depreciation and amortization in the amount of € 101.5 million (previous year: € 100.8 million) mainly includes amortization on intangible assets, the ownership of which represents a necessary condition for the marketing of the products manufactured—in particular drug approvals.

Expenses from inventory write-downs included inventories written down to net realizable value netted with reversals. The reversals amounted to € 7.2 million in financial year 2015 (previous year: € 9.3 million).

#### 13. Selling expenses

In addition to the costs for sales departments and sales force, selling expenses also comprise the costs for advertising and marketing activities including samples for doctors. They also include all costs for logistics that occur for completed final products. Discounts in the form of free retail packages, so-called discounts in kind,—if possible under the legal regulations in a national market—are not included. The resulting expenses are recognized as a part of cost of sales.

In the reporting year, marketing expenses in the amount of € 210.0 million (previous year: € 186.4 million) corresponded to a share of 44% in selling expenses (previous year: 41%). In addition, selling expenses included depreciation in the amount of € 7.1 million (previous year: € 7.4 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 14. General and administrative expenses

Personnel and material costs of service and administrative units are reported under general and administrative expenses, unless they have been charged to other functional areas as internal services.

In 2015, the general and administrative expenses included depreciation in the amount of € 7.9 million (previous year: € 10.2 million).

General and administrative expenses increased in the reporting year by a total of € 25.5 million. The increase primarily resulted from net earnings in the amount of € 15.9 million from 2014, mainly from past service cost in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded in accordance with the former benefit plan.

### 15. Research and development expenses

For information on the composition of research and development expenses, please refer to the details included in Accounting Policies.

In financial year 2015, research and development expenses increased by € 8.1 million compared to the previous year.

The research and development expenses include depreciation in the amount of € 2.1 million (previous year: € 2.6 million). Development costs for new products in the amount of € 26.1 million (previous year: € 27.5 million) were capitalized in financial year 2015 (see the note on the item “Intangible assets”).

### 16. Other income

Other income is divided into the following items:

<u>in € 000s</u>	<u>2015</u>	<u>2014</u>
Income from disposals . . . . .	2,317	43
Remaining other income . . . . .	17,715	20,024
<b>Total . . . . .</b>	<b><u>20,032</u></b>	<b><u>20,067</u></b>

The income from disposals mainly resulted from the deconsolidation of the French subsidiary Laboratoires d'études et de recherches en oligo elements thérapie SA.

The remaining other income includes such items as income from damage claim payments received and other income not directly associated with functional costs, which comprises many insignificant individual items in the Group companies.

### 17. Other expenses

Other expenses are broken down as follows:

<u>in € 000s</u>	<u>2015</u>	<u>2014</u>
Expenses from valuation allowances on accounts receivable . . . . .	9,367	3,809
Currency translation expenses . . . . .	19,549	29,415
Impairment losses on non-current assets excluding goodwill . . . . .	32,790	47,723
Impairment losses on goodwill . . . . .	410	59,808
Remaining other expenses . . . . .	21,593	14,488
<b>Total . . . . .</b>	<b><u>83,709</u></b>	<b><u>155,243</u></b>

Expenses for valuation allowances on accounts receivable were recognized netted with the corresponding income from their reversal.

Other expenses include impairment losses on non-current assets excluding goodwill in the amount of € 32.8 million (previous year: € 47.7 million). In addition, impairment losses on goodwill regarding the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Other expenses (Continued)

market region Asia/Pacific & MENA were recorded in the reporting year. These impairment losses were considered by STADA as a special effect of financial year 2015.

The item also included net currency translation expenses in the amount of €19.5 million in the reporting year (previous year: € 29.4 million). This development is especially attributable to the strong devaluation of the significant currencies of the market region CIS/Eastern Europe and the resulting currency translation expenses.

Within remaining other expenses, personnel expenses are recognized in the amount of € 4.4 million (previous year: € 5.8 million).

### 18. Financial result

The **result from investments measured at equity** in financial year 2015 relates to the companies BIOCEUTICALS Arzneimittel AG, Pharm Ortho Pedic SAS and AELIA SAS as well as Dialogfarma LLC for the first time this year, which are accounted for using the equity method.

**Investment income** primarily relates to profit distributions from companies not included in the consolidated financial statements.

**Financial income and financial expenses** are composed of the interest result and other financial income and other financial expenses.

The interest result developed as follows:

in € 000s	2015	2014
Interest income . . . . .	1,142	1,242
Interest expense . . . . .	65,576	70,393
<b>Interest result . . . . .</b>	<b>64,434</b>	<b>– 69,151</b>
thereof: from financial instruments of the valuation categories in accordance with IAS 39:		
• Loans and receivables . . . . .	1,142	1,242
• Financial assets and liabilities at fair value through profit and loss . . . . .	– 18,213	—
• Held-to-maturity investments . . . . .	—	—
• “Available-for-sale” financial assets . . . . .	—	—
• Financial liabilities measured at amortized costs . . . . .	– 46,349	– 68,431

As part of a change in reporting, interest rate expenses from currency swaps are reported as part of the interest result for the first time in financial year 2015. If this reporting had been implemented in the previous year, the interest expense would have increased by € 2.7 million.

In addition, the interest result in financial year 2015 includes an interest expense from other non-current provisions, which comprises interest income on plan assets as well as interest expenses from pension obligations and other non-current provisions, in the amount of € 1.0 million (previous year: € 2.0 million).

In financial year 2015, the Group refinanced itself at interest rates of between 0.7% p.a. and 16.6% p.a. (previous year: between 0.9% p.a. and 12.0% p.a.). On the balance sheet date of December 31, 2015, the weighted average interest rate for non-current financial liabilities was approx. 2.0% p.a. (previous year: approx. 3.3% p.a.) and for current financial liabilities approx. 5.1% p.a. (previous year: approx. 4.6% p.a.). For all of the Group’s financial liabilities the weighted average interest amounted to approx. 2.6% p.a. (previous year: approx. 3.7% p.a.).

Interest payments partially resulting from interest rate swaps designated by STADA as hedging instruments in cash flow hedges are not netted for each swap contract and are recognized as interest income or interest expense in the valuation category of the associated underlying hedged item. For the reporting period, this exclusively concerns financial liabilities which were valued at amortized costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18. Financial result (Continued)

Borrowing costs capitalized as part of the cost of qualifying assets amounted to € 1.0 million in financial year 2015 (previous year: € 0.7 million). A capitalization rate of 2.3% for intangible assets (previous year: 3.1%) was taken as a basis.

Other financial income and other financial expenses consist of the following:

in € 000s	2015	2014
<b>Other financial income</b> . . . . .	<b>28</b>	<b>3,591</b>
thereof		
• from the measurement of financial instruments . . . . .	—	3,591
• from the disposal of financial instruments . . . . .	28	—
<b>Other financial expenses</b> . . . . .	<b>3,091</b>	<b>—</b>
thereof		
• from the measurement of financial instruments . . . . .	3,087	—
• from the disposal of financial instruments . . . . .	4	—

The result from the measurement of financial instruments in the reporting period resulted from interest rate swaps and interest rate/currency swaps measured at fair value through profit or loss. There was a net burden on earnings in the amount of € 3.1 million before or € 3.1 million after taxes. In the previous year, there was a net relief on earnings from the measurement of derivative financial instruments in the amount of € 3.6 million before or € 3.6 million after taxes. The measurement of interest rate hedge transactions thereby depends on the development of the money market interest rate.

### 19. Income taxes

Actual income taxes in the income statement relate to taxes in Germany and abroad as follows:

in € 000s	2015	2014
<b>Actual taxation</b> . . . . .	<b>43,591</b>	<b>46,032</b>
Germany . . . . .	– 2,340	872
Outside Germany . . . . .	45,931	45,160
<b>Deferred taxes</b> . . . . .	<b>– 2,953</b>	<b>8,554</b>
Germany . . . . .	7,373	12,046
Outside Germany . . . . .	– 10,326	– 3,492

The item income taxes includes taxes on income and earnings paid or owed in the individual countries as well as deferred taxes. Other taxes that cannot be meaningfully attributed to the sales, administration or research and development functions are included in other expenses.

Actual income taxes can be divided according to timing as follows:

in € 000s	2015	2014
<b>Actual income taxes</b> . . . . .	<b>43,591</b>	<b>46,032</b>
Tax expense in the current period . . . . .	48,569	49,159
Tax expense from previous periods . . . . .	546	2,371
Tax income from previous periods . . . . .	5,524	5,498

The deferred taxes are as follows:

in € 000s	2015	2014
<b>Deferred taxes</b> . . . . .	<b>– 2,953</b>	<b>8,554</b>
from temporary differences . . . . .	– 2,808	10,726
from interest carryforwards . . . . .	—	—
from loss carryforwards . . . . .	– 145	– 2,172
from tax credits . . . . .	—	—
from others . . . . .	—	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Income taxes (Continued)

The effective income tax rate amounted to 25.8% for financial year 2015. The effective income tax rate in the previous year was 43.8%. The nominal income tax rate amounted to 27.4% in financial year 2015 for STADA Arzneimittel AG in Germany, this includes corporation tax with a tax rate of 15.0% and the solidarity surcharge in the amount of 5.5% as well as trade income tax with an assessment rate of 330%. In the previous year, the nominal income tax rate of STADA Arzneimittel AG amounted to 26.3%. The difference mainly results from an increase of the assessment rate for the trade income tax in the amount of 30 percentage points in Bad Vilbel.

The following overview explains how the effective income tax expense reported in the income statement was derived from the expected income tax expense. The expected income tax expense is calculated by applying the nominal tax rate of a corporation headquartered in Bad Vilbel to earnings before taxes. The tax effects of the respective tax rates to be applied locally depending on their applicable national and legal forms are reported in a separate reconciliation.

<u>in € 000s</u>	<u>2015</u>	<u>2014</u>
<b>Earnings before taxes</b> . . . . .	<b>157,803</b>	<b>124,694</b>
Nominal income tax rate of STADA Arzneimittel AG (in %) . . . . .	27.4%	26.3%
<b>Expected income tax expense</b> . . . . .	<b>43,207</b>	<b>32,832</b>
Deviation in local tax rate . . . . .	-4,779	-2,608
Tax effects from non-deductible impairment on investments and goodwill . . . . .	28	9,635
Tax effects from loss carryforwards . . . . .	-6,582	88
Tax effects from previous years . . . . .	-4,910	-3,127
Effects from tax rate changes . . . . .	-7,495	-214
Tax effects from non-deductible expenses and tax-free earnings . . . . .	21,376	21,857
Other tax effects . . . . .	-207	-3,877
<b>Income tax expense shown on the income statement</b> . . . . .	<b>40,638</b>	<b>54,586</b>
Effective income tax rate (in %) . . . . .	25.8%	43.8%

Tax effects from non-deductible impairments of investment and goodwill in the previous year hereby resulted mainly from impairments of goodwill in the market regions CIS/Eastern Europe and Asia/Pacific & MENA.

Tax effects from loss carryforwards mainly result from the utilization of tax loss carryforwards for which no deferred tax assets have been recognized so far.

The effects from tax rate changes mainly result from a reduction of the tax rate in the United Kingdom and the corresponding re-measurement of deferred taxes.

The actual income taxes and deferred taxes recognized in the balance sheet were as follows:

<u>in € 000s</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Income tax receivables . . . . .	21,182	30,711
Income tax liabilities . . . . .	39,444	33,726

<u>in € 000s</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Deferred tax assets . . . . .	34,073	49,409
Deferred tax liabilities . . . . .	160,241	166,699
Deferred taxes as of December 31 . . . . .	-126,168	-117,290
Difference compared to previous year . . . . .	-8,878	-17,468
thereof		
• recognized in income . . . . .	2,953	-8,554
• recognized directly in equity . . . . .	-4	6,344
• acquisitions/disposals/changes in the scope of consolidation . . . . .	-6,648	-11,257
• currency translation differences . . . . .	-5,179	-4,001



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Income taxes (Continued)

Deferred taxes result from the following balance sheet items and loss carryforwards:

in € 000s	Dec. 31, 2015 Deferred tax assets	Dec. 31, 2014 Deferred tax assets	Dec. 31, 2015 Deferred tax liabilities	Dec. 31, 2014 Deferred tax liabilities
Intangible assets . . . . .	2,244	1,811	153,077	147,438
Property, plant and equipment . . . . .	1,423	1,260	6,009	7,944
Financial assets . . . . .	981	1,704	617	21
Inventories . . . . .	10,948	16,835	1,317	2,110
Receivables . . . . .	5,144	12,036	4,325	370
Other assets . . . . .	3,006	1,309	5	8,869
Other non-current provisions . . . . .	3,631	4,540	58	172
Other provisions . . . . .	1,555	3,955	8,102	5,035
Liabilities . . . . .	3,541	299	974	4,808
Loss carryforwards . . . . .	15,843	15,728	—	—
<b>Total . . . . .</b>	<b>48,316</b>	<b>59,477</b>	<b>174,484</b>	<b>176,767</b>
Offsetting . . . . .	-14,243	-10,068	-14,243	-10,068
<b>Deferred taxes as per balance sheet . . . . .</b>	<b>34,073</b>	<b>49,409</b>	<b>160,241</b>	<b>166,699</b>

Deferred tax liabilities reported by STADA resulted, among other things, from deferred taxes in the context of purchase price allocations carried out under IFRS 3. Deferred tax liabilities decreased as compared to the previous year primarily as a result of a reduction of the tax rate in the United Kingdom and the corresponding remeasurement of deferred taxes.

Tax advantages that are highly probable and expected from the future utilization of tax loss carryforwards are recognized under “Deferred taxes from loss carryforwards”.

Tax loss carryforwards are only capitalized if their future utilization is highly probable. Tax loss carryforwards capitalized as of the December 31, 2015 reporting date amounted to € 73.2 million in financial year 2015 (previous year: € 60.1 million).

Income taxes decreased by a total of € 6.6 million (previous year: increase of income tax expense by € 0.1 million) through the utilization of previously unrecognized tax loss carryforwards from previous years for which no deferred taxes have been recognized so far and through tax loss carryforwards from the current financial year for which no deferred taxes have been recognized.

The future usable tax loss carryforwards and similar items are listed in the following chart according to their expiry date:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Loss carryforward expiry date within		
• 1 year . . . . .	707	—
• 2 years . . . . .	—	1,427
• 3 years . . . . .	799	—
• 4 years . . . . .	—	779
• 5 years . . . . .	141	0
• more than 5 years . . . . .	5,966	1,062
• unlimited carryforward . . . . .	65,594	56,836

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Income taxes (Continued)

No deferred taxes were recognized for the following tax loss carryforwards and similar items as it is not probable that they will be realized in the foreseeable future:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Loss carryforward expiry date within		
• 1 year	182	—
• 2 years	—	1,163
• 3 years	—	—
• 4 years	—	—
• 5 years	—	—
• more than 5 years	24,420	14,955
• unlimited carryforward	98,650	107,695
Temporary differences	123,252	123,813

### 20. Income distributable to non-controlling interests

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Earnings after taxes	117,165	70,108
• thereof distributable to shareholders of STADA Arzneimittel AG (net income)	110,404	64,562
• thereof distributable to non-controlling interests	6,761	5,546

Net income related to non-controlling interests pertains to the subsidiaries STADA Thailand, STADA Import/Export International, STA-DA Vietnam J.V., Pymepharco, STADA Pharmaceuticals (Beijing), Hemomont and Hemofarm Banja Luka.

### 21. Earnings per share

The basic and diluted earnings per share are as follows:

Basic earnings per share	2015	2014
Net income (in € 000s)	110,404	64,562
Adjustment	—	—
<b>Adjusted net income (basic) (in € 000s)</b>	<b>110,404</b>	<b>64,562</b>
Average number of registered shares with restricted transferability issued (in unit shares)	61,725,885	60,499,412
Average number of treasury shares (in unit shares)	88,264	90,911
<b>Adjusted average number of shares (basic) (in unit shares)</b>	<b>61,637,621</b>	<b>60,408,501</b>
<b>Basic earnings per share (in €)</b>	<b>1.79</b>	<b>1.07</b>

Basic earnings per share are calculated by dividing the adjusted net income distributable to the shareholders of STADA Arzneimittel AG by the time-weighted average number of registered shares with restricted transferability outstanding.

Diluted earnings per share	2015	2014
Adjusted net income (basic) (in € 000s)	110,404	64,562
Dilutive effects on profit from share options (after taxes) (in € 000s)	—	—
<b>Adjusted net income (diluted) (in € 000s)</b>	<b>110,404</b>	<b>64,562</b>
Adjusted average number of shares (in unit shares)	61,637,621	60,408,501
Potentially dilutive shares from share options (in unit shares)	10,635	860,909
<b>Average number of shares (diluted) (in unit shares)</b>	<b>61,648,256</b>	<b>61,269,410</b>
<b>Diluted earnings per share (in €)</b>	<b>1.79</b>	<b>1.05</b>

Diluted earnings per share are generally calculated with the formula used to calculate the basic earnings per share. They are also adjusted for the effect of outstanding share options on the basis of the average share price of the financial year. This is carried out based on the assumption that all potentially dilutive share options are exercised. Details on currently valid equity instruments are included in the Notes on equity. The share options from the STADA warrants mentioned had expired as of June 26, 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Number of employees and personnel expenses

The average number of employees at STADA by functional area and functional sub-area is as follows:

	2015	2014
Marketing/Sales . . . . .	3,012	2,938
Logistics . . . . .	299	400
Finance/IT . . . . .	684	670
Production/Quality management . . . . .	4,644	4,442
Procurement/Supply chain . . . . .	333	311
Product development . . . . .	594	571
Administration . . . . .	875	877
<b>Entire Group . . . . .</b>	<b>10,441</b>	<b>10,209</b>
<b>Personnel expenses (in € million) . . . . .</b>	<b>342.7</b>	<b>305.1</b>

The average number of employees in the reporting year was above the level of the previous year at 10,441 (previous year: 10,209). The most substantial reasons for the increase in the number of employees include the consolidation as of January 1, 2015 of the subsidiary STADA Egypt Ltd., the acquisition of British company Internis Pharmaceuticals Ltd. and the purchase of Austrian company SCIOTEC Diagnostic Technologies with a total of 52 employees. On the balance sheet date, the STADA Group's number of employees in 2015 totaled 10,532 (previous year: 10,363).

Personnel expenses, which are included in expenses of the individual functional areas according to their functional relevance, increased in financial year 2015 to € 342,7 million (previous year: € 305.1 million). The increase was primarily a result of earnings recorded in the previous year within personnel expenses from past service cost in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded according to the former benefit plan.

### 23. Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses are included in expenses of the individual functional areas according to their functional relevance and can be attributed to intangible assets, property, plant and equipment as follows:

in € 000s	2015	2014
<b>Depreciation/amortization . . . . .</b>	<b>118,648</b>	<b>120,990</b>
Intangible assets . . . . .	84,429	87,694
Property, plant and equipment . . . . .	34,219	33,296
<b>Impairment losses . . . . .</b>	<b>33,200</b>	<b>107,531</b>
Intangible assets . . . . .	32,948	104,781
thereof:		
• goodwill . . . . .	410	59,808
Property, plant and equipment . . . . .	161	136
thereof:		
• land and buildings . . . . .	—	136
• plant and machinery . . . . .	118	—
• other fixtures and fittings, tools and equipment . . . . .	43	—
Financial assets . . . . .	91	2,614
thereof:		
• investments . . . . .	91	2,614

The impairment of intangible assets concerns various drug approvals and trademarks.

The impairments on goodwill recorded in the previous year relate to goodwill of the market region CIS/Eastern Europe as well as of the market region Asia/Pacific & MENA.

The impairments of financial assets in the reporting year primarily relate to the carrying amounts of Hetmak FZCO in Dubai. The impairments in the previous year primarily related to the carrying amounts of STADAPharm AB in Sweden.

Depreciation and amortization decreased by 1.9% compared to the previous year. More information on amortization, depreciation and impairment losses is included in the Notes on non-current assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Notes to the Consolidated Balance Sheet

#### 24. Intangible assets

Intangible assets developed as follows in financial year 2015:

2015 in € 000s	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Advance payments made and capitalized development costs for current projects	Total
<b>Cost as of Jan. 1, 2015</b> . . . . .	<b>1,744,755</b>	<b>445,874</b>	<b>207,121</b>	<b>2,397,750</b>
Currency translation . . . . .	7,752	2,172	2,534	12,458
Changes in the scope of consolidation . . . . .	37	1,087	—	1,124
Additions . . . . .	14,889	—	56,912	71,801
Additions from business combinations according to IFRS 3 . . . . .	33,316	17,728	70	51,114
Disposals . . . . .	10,748	1,827	585	13,160
Transfers . . . . .	64,399	—	— 64,399	0
<b>Cost as of Dec. 31, 2015</b> . . . . .	<b>1,854,400</b>	<b>465,034</b>	<b>201,653</b>	<b>2,521,087</b>
<b>Accumulated amortization as of Jan. 1, 2015</b> . . . . .	<b>635,523</b>	<b>73,571</b>	<b>57,140</b>	<b>766,234</b>
Currency translation . . . . .	— 3,627	— 559	— 434	— 4,620
Changes in the scope of consolidation . . . . .	—	—	—	—
Amortization . . . . .	84,429	—	—	84,429
Impairment losses . . . . .	28,736	410	3,802	32,948
Disposals . . . . .	6,361	—	563	6,924
Write-ups . . . . .	—	—	—	—
Transfers . . . . .	359	—	— 359	0
<b>Accumulated amortization as of Dec. 31, 2015</b> . . . . .	<b>739,059</b>	<b>73,422</b>	<b>59,586</b>	<b>872,067</b>
<b>Residual carrying amounts as of Dec. 31, 2015</b> . . . . .	<b>1,115,341</b>	<b>391,612</b>	<b>142,067</b>	<b>1,649,020</b>
<b>Residual carrying amounts as of Dec. 31, 2014</b> . . . . .	<b>1,109,232</b>	<b>372,303</b>	<b>149,981</b>	<b>1,631,516</b>

Additions from business combinations according to IFRS 3, which relate to the fair values determined in the context of the purchase price allocations, mainly resulted from the acquisition of the British Socialites Group with € 32.3 million and with € 18.4 million from the purchase of the Austrian company SCIOTEC Diagnostic Technologies GmbH.

The umbrella brand Hemofarm capitalized in 2006 in the context of the acquisition of the Hemofarm group is included in recognized trademarks as an intangible asset with an indefinite useful life, as STADA intends to make continuing use of it. As at December 31, 2015, this umbrella brand has a carrying amount of € 45.4 million (previous year: € 47.6 million). In the context of the impairment test of December 31, 2015, a royalty rate of 2% and a discount rate of 13.0% was used. This resulted in a necessity for impairment in the amount of € 2.0 million for the reporting year. In addition, the change compared to the previous year figure of € 0.2 million is a result of different exchange rates.

Furthermore, in the context of the control achieved over Pymepharco in 2013, the umbrella brand Pymepharco was capitalized as an intangible asset with an indefinite useful life as a trademark, as STADA intends to continue to use the trademark. As of December 31, 2015, it has a carrying amount of € 9.5 million (previous year: € 9.1 million). The change is a result of different exchange rates. In the context of the impairment test of December 31, 2015, a royalty rate of 2% and a discount rate of 14.9% were used. There was no necessity for impairment for the reporting year.

Borrowing costs capitalized in 2015 for intangible assets and directly attributable to the acquisition or the production of a qualifying asset amounted to € 1.0 million (previous year: € 0.7 million). In financial year 2015, the capitalization rate taken as a basis for determining borrowing costs eligible for capitalization was 2.3% (previous year: 3.1%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Intangible assets (Continued)

Development costs of € 27.5 million were capitalized in the reporting year (previous year: € 28.7 million). Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs and external services, together with directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life, generally 20 years. STADA immediately recognizes development costs that do not qualify for capitalization as expense in the period in which they are incurred (see Note 15.). In financial year 2015, these development costs amounted to € 65.0 million (previous year: € 56.9 million).

Amortization on intangible assets mainly relates to regulatory drug approvals as well as trademarks and is recognized in the income statement primarily under cost of sales. In the reporting year, this related to an amount of € 84.4 million (previous year: € 87.7 million).

In financial year 2015, impairments on intangible assets were recognized in the total amount of € 32.9 million (previous year: € 104.8 million). These include value adjustments of goodwill in the market region Asia/Pacific & MENA in the amount of € 0.4 million, which resulted in the context of the impairment test carried out in the reporting year due to the existing knowledge and expectations related to the market and competitive environment. In addition, further intangible assets in the amount of € 32.5 million were impaired, mainly as a result of unchanged higher risks in the market region CIS/Eastern Europe.

Details on changes in the scope of consolidation can be found in the Note on the scope of consolidation (see Note 5.).

Intangible assets developed as follows in the previous year:

2014 in € 000s	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Advance payments made and capitalized development costs for current projects	Total
<b>Cost as of Jan. 1, 2014</b> . . . . .	<b>1,619,982</b>	<b>470,770</b>	<b>160,209</b>	<b>2,250,961</b>
Currency translation . . . . .	– 37,342	– 34,756	– 5,282	– 77,380
Changes in the scope of consolidation . . . . .	—	—	—	—
Additions . . . . .	113,366	825	41,317	155,508
Additions from business combinations according to IFRS 3 . . . . .	36,691	9,035	39,796	85,522
Disposals . . . . .	16,160	—	701	16,861
Transfers . . . . .	28,218	—	– 28,218	0
<b>Cost as of Dec. 31, 2014</b> . . . . .	<b>1,744,755</b>	<b>445,874</b>	<b>207,121</b>	<b>2,397,750</b>
<b>Accumulated amortization as of Jan. 1, 2014</b> . . .	<b>539,239</b>	<b>12,776</b>	<b>57,323</b>	<b>609,338</b>
Currency translation . . . . .	– 24,293	987	– 2,146	– 25,452
Changes in the scope of consolidation . . . . .	—	—	—	—
Amortization . . . . .	87,694	—	—	87,694
Impairment losses . . . . .	42,366	59,808	2,607	104,781
Disposals . . . . .	10,057	—	70	10,127
Write-ups . . . . .	—	—	—	—
Transfers . . . . .	574	—	– 574	0
<b>Accumulated amortization as of Dec. 31, 2014</b> . .	<b>635,523</b>	<b>73,571</b>	<b>57,140</b>	<b>766,234</b>
<b>Residual carrying amounts as of Dec. 31, 2014</b> . .	<b>1,109,232</b>	<b>372,303</b>	<b>149,981</b>	<b>1,631,516</b>
<b>Residual carrying amounts as of Dec. 31, 2013</b> . .	<b>1,080,743</b>	<b>457,994</b>	<b>102,886</b>	<b>1,641,623</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Intangible assets (Continued)

The following amortization expense is expected for the intangible assets in the next five years:

in € 000s	Expected amortization
2016 .....	86,025
2017 .....	87,106
2018 .....	87,267
2019 .....	86,152
2020 .....	87,731

The following table shows which cash-generating units the capitalized goodwill can be attributed to:

in € million	Residual carrying amount Generics segment Dec. 31, 2015	Residual carrying amount Branded Products segment Dec. 31, 2015	Residual carrying amount Commercial Business segment Dec. 31, 2015	Residual carrying amount total Dec. 31, 2015
Market region Germany .....	12.4	15.1	—	27.5
Market region Central Europe .....	130.5	115.2	0.0	245.7
Market region CIS/Eastern Europe ...	31.0	62.7	—	93.7
Market region Asia/Pacific & MENA .	13.1	10.8	0.8	24.7
<b>Total</b> .....	<b>187.0</b>	<b>203.8</b>	<b>0.8</b>	<b>391.6</b>

In the previous year, the capitalized goodwill for cash-generating units was as follows:

in € million	Residual carrying amount Generics segment Dec. 31, 2014	Residual carrying amount Branded Products segment Dec. 31, 2014	Residual carrying amount Commercial Business segment Dec. 31, 2014	Residual carrying amount total Dec. 31, 2014
Market region Germany .....	12.4	15.1	—	27.5
Market region Central Europe .....	126.8	97.1	0.0	223.9
Market region CIS/Eastern Europe ...	31.9	66.5	—	98.4
Market region Asia/Pacific & MENA .	11.5	10.2	0.8	22.5
<b>Total</b> .....	<b>182.6</b>	<b>188.9</b>	<b>0.8</b>	<b>372.3</b>

For the purposes of impairment tests for capitalized goodwill, STADA defines cash-generating units as the respective market regions within the operating segments in accordance with the strategic planning and control of the Group.

In comparison with the previous year, there were the following significant changes in the carrying amounts of goodwill:

- The increase in goodwill of the cash-generating unit market region Central Europe, Branded Products segment, primarily resulted from the acquisitions of the Austrian company SCIOTEC and the British Socialites group.
- The increase in goodwill of the cash-generating unit market region Asia/Pacific & MENA, Branded Products segment, primarily resulted from the appreciation of the Vietnamese dong. In opposition, an impairment in the amount of € 0.4 million resulted from the impairment tests carried out in the reporting year due to existing knowledge and expectations related to the market and competitive environment. The value in use of the cash-generating unit as of September 30, 2015 was at € 73.5 million.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Intangible assets (Continued)

In the context of the regular impairment tests for capitalized goodwill of September 30, 2015, the discounted cash flow method is used to determine anticipated cash inflows, applying the following parameters defined for the individual cash-generating units according to segment:

According to segment, defined as cash-generating unit	Growth rates of forward-projection phase 2015 in %	WACCs 2015 Generics segment in %	WACCs 2015 Branded Products segment in %	WACCs 2015 Commercial Business segment in %
Market region Germany . . . . .	1.9%	7.9%	7.9%	—
Market region Central Europe . . . . .	1.9%	9.5%	9.4%	—
Market region CIS/Eastern Europe . . . . .	4.1%	15.5%	15.6%	—
Market region Asia/Pacific & MENA . . . . .	4.4%	16.3%	16.3%	16.4%

In the previous year, the applied parameters were as follows:

According to segment, defined as cash-generating unit	Growth rates of forward-projection phase 2014 in %	WACCs 2014 Generics segment in %	WACCs 2014 Branded Products segment in %	WACCs 2014 Commercial Business segment in %
Market region Germany . . . . .	1.7%	8.8%	8.9%	—
Market region Central Europe . . . . .	1.7%	11.1%	10.9%	—
Market region CIS/Eastern Europe . . . . .	4.0%	16.1%	16.0%	—
Market region Asia/Pacific & MENA . . . . .	4.2%	20.2%	20.2%	20.6%

The discounted cash flow method is used to determine the value in use of the cash-generating units, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. This detailed planning period reflects the assumptions for short and medium-term market developments. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. The detailed planning period for the determination of the value in use is based on assumptions in light of past experience, supplemented by current internal developments and verified through external market data and analyses. The most important assumptions include the development of future sales prices, amounts and costs, the influence of the regulatory market environment, investments, market shares, exchange rates and growth rates. Significant changes to the above-described assumptions would influence the determination of the value in use of the cash-generating units. Possible changes to these assumptions would negatively influence the cash-generating units as a result of continued strong competition and regulatory interventions. The discount rates applied are determined on the basis of external factors derived from the market and adjusted for the respective predominant risks of the cash-generating units.

Changes in the calculation parameters used for the impairment tests may influence the fair values of cash-generating units. The following table shows what additional impairments would have come for the different cash-generating units as a result of a 1.0 percentage points higher discount rate, a decrease in the growth rate of 0.5 percentage points and a decrease in EBIT of 10.0 percentage points:

Generics segment sensitivity analysis Effects on impairment in € million	WACC +1.0 percentage points	Growth rate – 0.5 percentage points	EBIT – 10.0 percentage points
Market region Germany . . . . .	—	—	—
Market region Central Europe . . . . .	—	—	—
Market region CIS/Eastern Europe . . . . .	—	—	—
Market region Asia/Pacific & MENA . . . . .	5.8	1.0	6.8

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Intangible assets (Continued)

Branded Products segment sensitivity analysis Effects on impairment in € million	WACC +1.0 percentage points	Growth rate – 0.5 percentage points	EBIT – 10.0 percentage points
Market region Germany . . . . .	—	—	—
Market region Central Europe . . . . .	—	—	—
Market region CIS/Eastern Europe . . .	31.1	0.6	37.1
Market region Asia/Pacific & MENA .	6.1	2.3	6.8

For the Commercial Business segment, there would have been no impairment in any of the market regions as a result of the sensitivity analysis.

With a reduction in discount rates of 1.0 percentage points, an increase in the growth rate of 0.5 percentage points and an increase in EBIT of 10.0 percentage points, impairments in the market region Asia/Pacific & MENA, Branded Products segment, would have been € 0.4 million lower.

### 25. Property, plant and equipment

Property, plant and equipment developed as follows in financial year 2015:

2015 in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other fixtures and fittings, tools and equipment	Advance payment and construction in progress	Total
<b>Cost as of Jan. 1, 2015 . . . . .</b>	<b>255,066</b>	<b>202,977</b>	<b>99,965</b>	<b>21,270</b>	<b>579,278</b>
Currency translation . . . . .	– 828	– 1,923	– 1,398	– 961	– 5,110
Changes in the scope of consolidation . . . . .	47	1	82	—	130
Additions . . . . .	2,698	10,110	5,542	34,521	52,871
Additions from business combinations					
according to IFRS 3 . . . . .	36	523	87	—	646
Disposals . . . . .	801	1,748	5,962	367	8,878
Reclassification from non-current assets and disposal groups held for sale . . . . .	482	—	—	—	482
Transfers . . . . .	7,106	15,504	4,073	– 26,683	0
<b>Cost as of Dec. 31, 2015 . . . . .</b>	<b>263,806</b>	<b>225,444</b>	<b>102,389</b>	<b>27,780</b>	<b>619,419</b>
<b>Accumulated depreciation as of Jan. 1, 2015</b>	<b>88,738</b>	<b>119,149</b>	<b>65,961</b>	<b>—</b>	<b>273,848</b>
Currency translation . . . . .	– 763	– 2,035	– 654	—	– 3,452
Changes in the scope of consolidation . . . . .	—	—	—	—	—
Depreciation . . . . .	7,461	16,685	10,073	—	34,219
Impairments . . . . .	—	118	43	—	161
Disposals . . . . .	189	1,638	5,302	—	7,129
Write-ups . . . . .	—	—	—	—	—
Reclassification from non-current assets and disposal groups held for sale . . . . .	155	—	—	—	155
Transfers . . . . .	8	70	– 78	—	0
<b>Accumulated depreciation as of Dec. 31,</b>					
<b>2015 . . . . .</b>	<b>95,410</b>	<b>132,349</b>	<b>70,043</b>	<b>—</b>	<b>297,802</b>
<b>Residual carrying amounts as of Dec. 31,</b>					
<b>2015 . . . . .</b>	<b>168,396</b>	<b>93,095</b>	<b>32,346</b>	<b>27,780</b>	<b>321,617</b>
<b>Residual carrying amounts as of Dec. 31,</b>					
<b>2014 . . . . .</b>	<b>166,328</b>	<b>83,828</b>	<b>34,004</b>	<b>21,270</b>	<b>305,430</b>

Property, plant and equipment included assets from finance leases, primarily relating to cars and vehicles, in the amount of € 2.8 million (previous year: € 1.5 million), which, in accordance with IAS 17, were recognized at the present value of minimum lease payments and have since been subjected to depreciation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 25. Property, plant and equipment (Continued)

As in the previous year, no borrowing costs were capitalized in financial year 2015 for property, plant and equipment.

Property, plant and equipment developed as follows in the previous year:

2014 in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other fixtures and fittings, tools and equipment	Advance payment and construction in progress	Total
<b>Cost as of Jan. 1, 2014</b> . . . . .	<b>260,684</b>	<b>199,611</b>	<b>105,510</b>	<b>19,166</b>	<b>584,971</b>
Currency translation . . . . .	– 10,478	– 15,583	– 7,282	– 2,577	– 35,920
Changes in the scope of consolidation . . . .	4,449	556	204	—	5,209
Additions . . . . .	1,143	7,790	4,284	24,653	37,870
Additions from business combinations according to IFRS 3 . . . . .	—	68	10	—	78
Disposals . . . . .	8,393	1,101	4,503	74	14,071
Reclassification from non-current assets and disposal groups held for sale . . . . .	1,141	—	—	—	1,141
Transfers . . . . .	6,520	11,636	1,742	– 19,898	0
<b>Cost as of Dec. 31, 2014</b> . . . . .	<b>255,066</b>	<b>202,977</b>	<b>99,965</b>	<b>21,270</b>	<b>579,278</b>
<b>Accumulated depreciation as of Jan. 1, 2014</b> . . . . .	<b>88,107</b>	<b>115,832</b>	<b>62,604</b>	<b>—</b>	<b>266,543</b>
Currency translation . . . . .	– 3,570	– 11,104	– 3,360	—	– 18,034
Changes in the scope of consolidation . . . .	—	—	—	—	—
Depreciation . . . . .	7,287	15,364	10,645	—	33,296
Impairments . . . . .	136	—	—	—	136
Disposals . . . . .	3,330	1,049	3,714	—	8,093
Write-ups . . . . .	—	—	—	—	—
Reclassification from non-current assets and disposal groups held for sale . . . . .	—	—	—	—	—
Transfers . . . . .	108	106	– 214	—	0
<b>Accumulated depreciation as of Dec. 31, 2014</b> . . . . .	<b>88,738</b>	<b>119,149</b>	<b>65,961</b>	<b>—</b>	<b>273,848</b>
<b>Residual carrying amounts as of Dec. 31, 2014</b> . . . . .	<b>166,328</b>	<b>83,828</b>	<b>34,004</b>	<b>21,270</b>	<b>305,430</b>
<b>Residual carrying amounts as of Dec. 31, 2013</b> . . . . .	<b>172,577</b>	<b>83,779</b>	<b>42,906</b>	<b>19,166</b>	<b>318,428</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 26. Financial assets

Financial assets developed as follows in financial year 2015:

2015 in € 000s	Shares in associated companies and other investments	Other financial assets	Total
<b>Cost as of Jan. 1, 2015</b> . . . . .	<b>18,859</b>	<b>—</b>	<b>18,859</b>
Currency translation . . . . .	– 58	—	– 58
Changes in the scope of consolidation . . . . .	– 1,092	—	– 1,092
Additions . . . . .	615	—	615
Disposals . . . . .	2,235	—	2,235
Reclassification from non-current assets and disposal groups held for sale . . . . .	—	—	—
Transfers . . . . .	– 4	—	– 4
<b>Cost as of Dec. 31, 2015</b> . . . . .	<b>16,085</b>	<b>—</b>	<b>16,085</b>
<b>Accumulated impairments as of Jan. 1, 2015</b> . . . . .	<b>16,823</b>	<b>—</b>	<b>16,823</b>
Currency translation . . . . .	– 3	—	– 3
Changes in the scope of consolidation . . . . .	—	—	—
Impairments . . . . .	91	—	91
Disposals . . . . .	2,165	—	2,165
Write-ups . . . . .	—	—	—
Reclassification from non-current assets and disposal groups held for sale . . . . .	—	—	—
Transfers . . . . .	—	—	—
<b>Accumulated impairments as of Dec. 31, 2015</b> . . . . .	<b>14,746</b>	<b>—</b>	<b>14,746</b>
<b>Residual carrying amounts as of Dec. 31, 2015</b> . . . . .	<b>1,339</b>	<b>—</b>	<b>1,339</b>
<b>Residual carrying amounts as of Dec. 31, 2014</b> . . . . .	<b>2,036</b>	<b>—</b>	<b>2,036</b>

Financial assets are primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices. There is currently no intention to sell these financial assets. Held-to-maturity financial investments were included under other financial assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 26. Financial assets (Continued)

Financial assets developed as follows in the previous year:

2014 in € 000s	Shares in associated companies and other investments	Other financial assets	Total
<b>Cost as of Jan. 1, 2014</b> . . . . .	<b>26,956</b>	<b>14</b>	<b>26,970</b>
Currency translation . . . . .	– 630	—	– 630
Changes in the scope of consolidation . . . . .	– 4,397	—	– 4,397
Additions . . . . .	65	—	65
Disposals . . . . .	3,135	14	3,149
Reclassification from non-current assets and disposal groups held for sale . . . . .	—	—	—
Transfers . . . . .	—	—	—
<b>Cost as of Dec. 31, 2014</b> . . . . .	<b>18,859</b>	<b>—</b>	<b>18,859</b>
<b>Accumulated impairments as of Jan. 1, 2014</b> . . . . .	<b>17,976</b>	<b>3</b>	<b>17,979</b>
Currency translation . . . . .	– 656	—	– 656
Changes in the scope of consolidation . . . . .	—	—	—
Impairments . . . . .	2,622	—	2,622
Disposals . . . . .	3,119	3	3,122
Write-ups . . . . .	—	—	—
Reclassification from non-current assets and disposal groups held for sale . . . . .	—	—	—
Transfers . . . . .	—	—	—
<b>Accumulated impairments as of Dec. 31, 2014</b> . . . . .	<b>16,823</b>	<b>—</b>	<b>16,823</b>
<b>Residual carrying amounts as of Dec. 31, 2014</b> . . . . .	<b>2,036</b>	<b>—</b>	<b>2,036</b>
<b>Residual carrying amounts as of Dec. 31, 2013</b> . . . . .	<b>8,980</b>	<b>11</b>	<b>8,991</b>

### 27. Investments measured at equity

The disclosure relates to the accounting of shares in the associated companies BIOCEUTICALS Arzneimittel AG, as well as Pharm Ortho Pedic SAS, AELIA SAS and Dialogfarma LLC using the equity method. Investments measured at equity developed as follows in financial year 2015 compared with the previous year:

in € 000s	2015	2014
<b>As of Jan. 1</b> . . . . .	<b>10,569</b>	<b>8,974</b>
Increase in investment share . . . . .	3	—
Result from associates . . . . .	1,419	1,595
Adjustments previous year . . . . .	1,177	—
Elimination of dividend income . . . . .	—	—
Currency translation differences . . . . .	—	—
<b>As of Dec. 31</b> . . . . .	<b>13,168</b>	<b>10,569</b>

In financial year 2015, the increase of the investment share in associates particularly resulted from the income from associates. In addition, the investment share in associates increased due to an adjustment of the previous year recognized directly in equity on current account in the amount of € 1.2 million.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 28. Trade accounts receivable

Trade accounts receivable are composed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Trade accounts receivable from third parties . . . . .	589,664	619,433
Trade accounts receivable from non-consolidated companies . . . . .	1,298	791
Valuation allowances vis-à-vis third parties . . . . .	– 105,061	– 117,430
<b>Total . . . . .</b>	<b><u>485,901</u></b>	<b><u>502,794</u></b>

As of December 31, 2015, there are trade accounts receivable due after one year in the amount of € 1.1 million (previous year: € 1.4 million).

Collateral exists for a portion of trade accounts receivable whose value was not impaired in the form of mortgages, bank or corporate guarantees, assignments of receivables as well as pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

The following non-impaired trade accounts receivable were past due at the balance sheet date:

in € 000s	Carrying amount	thereof: neither impaired nor past due as at the balance sheet date	thereof: not impaired as at the balance sheet date and past due in the following time band			
			up to 30 days	between 31 and 90 days	between 91 and 180 days	more than 180 days
Dec. 31, 2015 . . . . .	485,901	443,106	20,081	14,286	7,717	711
Dec. 31, 2014 . . . . .	502,794	448,358	25,619	19,905	5,569	3,343

There were no recognizable indications as of the balance sheet date that the debtors would not meet their payment obligations. Therefore, the trade accounts receivable which are not impaired and not past due are considered to be unconditionally recoverable. There are also no indications of impairment for the overdue receivables that have not been impaired.

Overall, valuation allowances on trade accounts receivable developed as follows:

in € 000s	2015	2014
<b>As of Jan. 1 . . . . .</b>	<b>117,430</b>	<b>126,007</b>
Added . . . . .	2,818	9,796
Utilized . . . . .	12,866	9,037
Reversed . . . . .	1,047	2,625
Changes in the scope of consolidation . . . . .	– 19	—
Currency translation differences . . . . .	– 1,255	– 6,711
<b>As of Dec. 31 . . . . .</b>	<b><u>105,061</u></b>	<b><u>117,430</u></b>

### 29. Other financial assets

Other financial assets are composed as follows:

in € 000s	Dec. 31, 2015		Dec. 31, 2014	
	Total	thereof: current	Total	thereof: current
Loan receivables . . . . .	6	6	4,882	4,882
Outstanding purchase price receivables . . . . .	4,024	3,559	2,870	1,810
Derivative financial assets . . . . .	27,461	26,702	33,250	29,551
Available-for-sale financial assets . . . . .	—	—	29	29
Other financial assets . . . . .	51,506	44,012	57,641	50,671
<b>Total . . . . .</b>	<b><u>82,997</u></b>	<b><u>74,279</u></b>	<b><u>98,672</u></b>	<b><u>86,943</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29. Other financial assets (Continued)

The outstanding purchase price receivables in financial year 2015 and also primarily in the previous year relate to the still outstanding installments from the sale of a product portfolio in Italy. In addition, there is an outstanding purchase price receivable from the sale of the French company Laboratoires d'études et de recherches en oligo éléments thérapie SA.

The derivative financial assets include the positive market values of cross-currency swaps as well as of currency futures contracts (see Note 47.7.). Available-for-sale financial assets are shares that are measured at fair value based on market prices.

The remaining financial assets include accruals for price compensations in connection with tender contracts in the amount of € 23.4 million, receivables from the German factoring business in the amount of € 6.2 million and also comprise many insignificant individual items in the Group companies.

As of December 31, 2015, other financial assets did not include any impairments (previous year: € 0.6 million). There are no outstanding amounts for non-impaired other financial assets as in the previous year.

### 30. Other assets

Other assets are composed as follows:

in € 000s	Dec. 31, 2015		Dec. 31, 2014	
	Total	thereof: current	Total	thereof: current
Other receivables due from the tax authorities . . . . .	13,085	12,842	16,239	16,239
Prepaid expenses/deferred charges . . . . .	14,342	11,039	13,389	11,252
Assets from overfunded pension plans . . . . .	63	—	109	—
Remaining assets . . . . .	5,930	5,165	11,259	10,375
<b>Total . . . . .</b>	<b>33,420</b>	<b>29,046</b>	<b>40,996</b>	<b>37,866</b>

Remaining assets comprise many insignificant individual items in the Group companies.

Remaining assets are impaired in the amount of € 5.5 million (previous year: € 7.1 million).

### 31. Inventories

Inventories can be subdivided as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Materials and supplies . . . . .	97,992	93,958
Work in progress . . . . .	25,522	24,858
Finished goods . . . . .	372,778	374,986
Advance payments . . . . .	5,228	4,983
<b>Total . . . . .</b>	<b>501,520</b>	<b>498,785</b>

In financial year 2015, impairments netted with reversals were made on the net realizable value of inventories in the amount of € 36.5 million (previous year: € 33.7 million), which were already deducted from the amounts shown above through profit and loss. In financial year 2015, reversals here amounted to € 7.2 million (previous year: € 9.3 million).

### 32. Non-current assets and disposal groups held for sale

As of December 31, 2015, there were no non-current assets held for sale in the STADA Group. In the previous year, assets held for sale in the amount of € 0.3 million included real estate of a STADA subsidiary in Serbia, which were reclassified to non-current assets in financial year 2015. € 0.2 million thereof was allocated to the Generics operating segment and € 0.1 million to the Branded Products operating segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 33. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits as well as short-term and highly liquid financial investments with a maximum term of 90 days from the purchase date. In certain countries, specific transactions are subjected to special monitoring in the context of the requirements of the respective national bank or foreign exchange acts in force. Restrictions on disposal for cash and cash equivalents amount to € 2.3 million (previous year: € 1.7 million) and, as in the previous year, exclusively relate to cash and cash equivalents in China.

The decrease in cash and cash equivalents from € 164.2 million as of December 31, 2014 to € 143.2 million as of December 31, 2015 is primarily due to reporting date effects. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

### 34. Equity and liabilities

Group equity amounted to € 1,018.5 million as of the balance sheet date (previous year: € 903.3 million). This corresponds to an equity-to-assets ratio of 31.0% (previous year: 27.1%).

#### 34.1. Share capital

As of December 31, 2015, share capital amounted to € 162,090,344.00 (December 31, 2014: € 157,629,420.00) and was divided into 62,342,440 registered shares with restricted transferability (December 31, 2014: 60,626,700), each with an arithmetical share of share capital of € 2.60 per share, and is fully paid. Each registered share grants one vote in the Annual General Meeting.

The increase in the number of shares in 2015 was due to the exercise of 85,787 options from STADA warrants 2000/2015 in 2015. The number of shares as of December 31, 2015 thereby increased by 1,715,740 to 62,342,440 and the share capital of STADA Arzneimittel AG increased by € 4,460,924.00 to € 162,090,344.00. The exercise period of the warrants expired at the end of June 26, 2015, therefore there were no more warrants outstanding for subscription as of December 31, 2015.

As of December 31, 2015, authorized share capital and conditional capital were comprised as follows:

	Amount in €	Registered shares with restricted transferability	Purpose
Authorized capital . . . . .	77,134,304.00	29,667,040	Increase of share capital (until June 4, 2018)
Conditional Capital 2013 . . . . .	69,188,340.00	26,610,900	Settlement of options and/or conversion rights (until June 4, 2018) in connection with issued bonds with warrants and/or convertible bonds, participation rights and/or participating bonds in the total nominal amount of up to € 1.0 billion, or in the scope of a guarantee assumed for bonds with warrants and/or convertible bonds, participation rights and/or participating bonds issued by subordinate Group companies

#### 34.2. Capital reserve

Changes in the capital reserve of the Group are shown in the consolidated statement of changes in equity and particularly include the capital reserve of STADA Arzneimittel AG. Differences from the capital reserve determined according to the provisions of German commercial law primarily result from the recognition at their market value of the shares of STADA Arzneimittel AG newly issued in 2003 as well as the associated treatment of issuing costs, which were deducted from the capital reserve.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 34. Equity and liabilities (Continued)

The increase of the capital reserve in the financial year by € 23,770,371.60 to € 514,171,360.77 also primarily results from the exercise of 85,787 options from STADA warrants 2000/2015 described in Note 34.1.

#### 34.3. Retained earnings including net income

Retained earnings including net income comprise net income for the financial year as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized directly in equity are reported under this item, taking deferred taxes into account.

In the context of measuring the defined benefit obligations as of December 31, 2015, net income in the amount of € 2.7 million after deferred taxes—not considering amounts attributable to non-controlling interests—resulted from the remeasurement. It is mainly based on the increase in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2015 in comparison with December 31, 2014.

Furthermore, retained earnings include an adjustment of the previous year recognized directly in equity in the amount of € 1.2 million in connection with a company accounted for at equity.

#### 34.4. Other provisions

Other provisions include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are recognized in the statement of changes in equity under the currency translation reserve. The provision “available for sale” and the provision for cash flow hedges include the results from the measurement at fair value of financial instruments categorized as available for sale, and the measurement results from cash flow hedges from the effective portion of the hedge, allowing for respective deferred taxes.

The growth in other provisions as compared to the previous year is primarily composed of the following opposing effects: On the one hand, the devaluation of the Russian ruble since December 31, 2014 led to expenses recognized directly in equity from the currency translation of financial statements of companies reporting in Russian ruble. On the other hand, due to the appreciation of the currencies British pound sterling and Swiss franc since December 31, 2014, income recognized directly in equity from the currency translation of financial statements of companies reporting in these currencies was recorded.

#### 34.5. Treasury shares

As of the balance sheet date, the Company held 87,259 treasury shares (previous year: 89,835), each with an arithmetical par value of € 2.60 per share, which is equivalent to 0.14% (previous year: 0.15%) of the share capital. In financial year 2015, 2,576 treasury shares were sold at an average price of € 29.78 per share within the scope of an employee stock option program.

#### 34.6. Shares relating to non-controlling shareholders

Shares of non-controlling shareholders relate to minority interests of other shareholders in the subsidiaries STADA Thailand, STADA Import/Export International, STADA Vietnam, Pymepharco, STADA Pharmaceuticals (Beijing), Well Light Investment Services, Hemomont and Hemofarm Banja Luka.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions

Other non-current provisions made by STADA as of the balance sheet date in Germany and outside Germany include pension provisions and other non-current provisions in the form of anniversary provisions and provisions for working time accounts as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Germany . . . . .	11,464	13,155
Outside Germany . . . . .	17,405	16,942
<b>Total . . . . .</b>	<b><u>28,869</u></b>	<b><u>30,097</u></b>

In Germany, STADA has plan assets in the form of reinsurance policies, which are used to serve the pension entitlements of a small number of former employees. In addition, there are plan assets for a pension obligation which was outsourced to a pension fund. All further pension entitlements are financed internally in the scope of pension provisions. In addition, there are plan assets in a few foreign subsidiaries in the form of, among others, government bonds and securities funds.

In financial year 2015, the plan assets of one German and one international subsidiary exceeded their pension obligations, with the result that these assets in excess were reported under other assets as assets from overfunded pension plans in the amount of € 0.1 million (previous year: € 0.1 million).

Plan assets were divided according to investment type as follows:

Share of plan assets in € 000s	2015	2014
Cash and cash equivalents . . . . .	682	3,179
Equity securities . . . . .	5,279	4,612
Debt securities . . . . .	13,811	13,891
Real estate . . . . .	1,359	1,441
Derivatives . . . . .	—	—
Shares in investment funds . . . . .	18,475	15,273
Insurance policies . . . . .	64,990	62,604
Other . . . . .	363	348
<b>Total . . . . .</b>	<b><u>104,959</u></b>	<b><u>101,348</u></b>

The plan assets, which have a quoted market price, consist of the following:

Share of plan assets (quoted market price) in € 000s	2015	2014
Cash and cash equivalents . . . . .	682	3,179
Equity securities . . . . .	5,279	4,612
Debt securities . . . . .	13,811	13,891
Real estate . . . . .	1,359	1,441
Derivatives . . . . .	—	—
Shares in investment funds . . . . .	16,235	12,990
Insurance policies . . . . .	—	—
Other . . . . .	363	348
<b>Total . . . . .</b>	<b><u>37,729</u></b>	<b><u>36,461</u></b>

Cash and cash equivalents reported in the United Kingdom at the end of financial year 2014 in the amount of € 2.7 million were invested in shares in investment funds in the current financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

For German Group companies, pension obligations developed as follows:

Projected benefit obligations for pension commitments in € 000s	2015	2014
<b>As of Jan. 1</b> . . . . .	<b>52,474</b>	<b>49,794</b>
Current service cost . . . . .	38	29
Past service cost . . . . .	—	– 17,603
Plan settlements . . . . .	—	—
Interest cost . . . . .	1,043	1,640
Benefits paid from plan assets . . . . .	– 116	– 112
Benefits paid by employer . . . . .	– 477	– 488
Revaluations:		
• Gains (–)/losses (+) due to changed demographic assumptions . . . . .	—	—
• Gains (–)/losses (+) due to changed financial assumptions . . . . .	– 4,291	15,411
• Gains (–)/losses (+) due to experience-based changes . . . . .	77	3,803
<b>As of Dec. 31</b> . . . . .	<b>48,748</b>	<b>52,474</b>

For international Group companies, pension obligations developed as follows:

Projected benefit obligations for pension commitments in € 000s	2015	2014
<b>As of Jan. 1</b> . . . . .	<b>75,462</b>	<b>61,395</b>
Current service cost . . . . .	1,829	1,559
Past service cost . . . . .	1,246	– 1,500
Plan settlements . . . . .	– 36	– 379
Interest cost . . . . .	2,084	2,564
Benefits paid from plan assets . . . . .	– 2,793	– 2,648
Benefits paid by employer . . . . .	– 615	– 586
Employee contributions . . . . .	490	457
Insurance premiums for death and disability benefits . . . . .	– 181	– 142
Business combinations . . . . .	—	—
Changes in the scope of consolidation . . . . .	– 278	—
Reclassifications . . . . .	4,776	864
Revaluations:		
• Gains (–)/losses (+) due to changed demographic assumptions . . . . .	31	108
• Gains (–)/losses (+) due to changed financial assumptions . . . . .	– 3,899	12,606
• Gains (–)/losses (+) due to experience-based changes . . . . .	774	– 13
Currency changes . . . . .	2,699	1,182
Other . . . . .	– 6	– 5
<b>As of Dec. 31</b> . . . . .	<b>81,583</b>	<b>75,462</b>

In the Gulf region and in Egypt there are legally required defined benefit plans for termination benefits, which have been newly included in the scope of consolidation in the current reporting period. Past service costs mainly result from the inclusion of these plans. Furthermore, a plan curtailment was carried out in the Netherlands, which was recognized as past service cost in accordance with IAS 19.

In Belgium, the general market assessment has changed substantially, so that pension plans formerly regarded as defined contribution plans must now be regarded as defined benefit plans. Reclassifications carried out in the amount of € 4.8 million relate to these new classifications as defined benefit plans. Furthermore, one plan was removed from the scope of consolidation due to the sale of a French company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

The fair value of plan assets underlying the pension obligations developed as follows for German group companies:

Fair value of plan assets in € 000s	2015	2014
<b>As of Jan. 1</b> . . . . .	<b>39,319</b>	<b>12,011</b>
Interest income . . . . .	660	408
Employer contributions . . . . .	338	25,188
Employee contributions . . . . .	—	—
Pension payments . . . . .	– 116	– 112
Actuarial gains (+)/losses (–) on plan assets (not included in interest result) . . . . .	– 2,887	3,076
Other . . . . .	—	– 1,252
<b>As of Dec. 31</b> . . . . .	<b>37,314</b>	<b>39,319</b>

The fair value of plan assets underlying the pension obligations developed as follows for international Group companies:

Fair value of plan assets in € 000s	2015	2014
<b>As of Jan. 1</b> . . . . .	<b>62,029</b>	<b>51,720</b>
Interest income . . . . .	1,667	2,062
Employer contributions . . . . .	1,422	1,168
Employee contributions . . . . .	490	457
Pension payments . . . . .	– 2,793	– 2,648
Insurance premiums for death and disability benefits . . . . .	– 181	– 142
Business combinations . . . . .	—	—
Disposals . . . . .	—	—
Reclassifications . . . . .	4,454	76
Actuarial gains (+)/losses (–) on plan assets (not included in interest result) . . . . .	– 1,722	7,832
Currency changes . . . . .	2,453	1,642
Other . . . . .	– 174	– 138
<b>As of Dec. 31</b> . . . . .	<b>67,645</b>	<b>62,029</b>

Recognition of reclassifications in the amount of € 4.5 million is the result of the inclusion of the plan assets of the former defined contribution plans in Belgium.

The amount of the pension provisions recognized as of the balance sheet date for companies with plan assets is therefore as follows:

in € 000s	2015	2014
Projected benefit obligations for pension commitments . . . . .	118,991	117,152
Fair value of plan assets . . . . .	104,959	101,348
<b>Net obligation</b> . . . . .	<b>14,032</b>	<b>15,804</b>
Effect from the limit on a defined benefit asset according to IFRIC 14 . . . . .	—	157
<b>Net liability recognized in balance sheet</b> . . . . .	<b>14,032</b>	<b>15,961</b>

The amount of the pension provisions recognized as of the balance sheet date for companies without plan assets is therefore as follows:

in € 000s	2015	2014
Projected benefit obligations for pension commitments . . . . .	11,340	10,784
<b>Net liability recognized in balance sheet</b> . . . . .	<b>11,340</b>	<b>10,784</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

Expenses for defined benefit plans amounted to net expenses in the total amount of € 4.0 million in financial year 2015 (previous year: income in the amount of € 15.1 million) and consisted of the following components:

in € 000s	2015	2014
Current service cost . . . . .	1,867	1,588
Past service cost . . . . .	1,246	– 19,103
Plan settlements . . . . .	– 36	– 379
Net interest expense:		
• Interest expense (DBO) . . . . .	3,127	4,204
• Interest income (plan assets) . . . . .	– 2,327	– 2,470
• Interest income from reimbursement . . . . .	—	—
• Interest expense (+)/interest income (–) from the limit on an asset . . . . .	7	10
Administration costs . . . . .	131	117
Other . . . . .	0	954
<b>Total . . . . .</b>	<b>4,015</b>	<b>– 15,079</b>

The expenses from plan assets amounted to € 2.2 million in financial year 2015 (previous year: income in the amount of € 3.5 million) for German group companies and € 0.1 million for international group companies (income in the amount of previous year: € 9.9 million).

The following actuarial parameters were used as a basis for measuring the German pension obligations and pension costs:

Parameters for pension obligations for German Group companies (weighted)	Dec. 31, 2015	Dec. 31, 2014
Discount rate . . . . .	2.4%	2.0%
Salary trend . . . . .	1.9%	1.9%
Benefits trend . . . . .	1.4%	1.4%
Inflation . . . . .	1.8%	1.8%

The following actuarial parameters were used as a basis for measuring the international pension obligations and pension costs:

Parameters for pension obligations for international Group companies (weighted)	Dec. 31, 2015	Dec. 31, 2014
Discount rate . . . . .	3.0%	2.71%
Salary trend . . . . .	2.6%	2.5%
Benefits trend . . . . .	0.9%	0.8%
Inflation . . . . .	1.9%	1.9%

A sensitivity analysis was carried out in which only one assumption was changed in each case and all other assumptions were not changed. In the following, the change in the defined benefit obligation of the pension obligations (DBO) for German Group companies is presented according to a change in the discount rate, salary trends and pension trends.

Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2015 (€ 48,748,000) according to changed assumptions in € 000s	2015	2014
Discount rate +0.5% . . . . .	– 4,691	– 5,355
Discount rate – 0.5% . . . . .	5,448	6,261
Salary trend +0.5% . . . . .	4,051	4,696
Salary trend – 0.5% . . . . .	– 3,480	– 4,005
Pension trend +0.5% . . . . .	5,236	5,975
Pension trend – 0.5% . . . . .	– 4,556	– 5,164

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

In the following, the change in the defined benefit obligation of the pension obligations (DBO) for international Group companies is presented according to a change in the discount rate, salary trends and pension trends.

<b>Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2015 (€ 81,583,000) according to changed assumption in € 000s</b>			<b>2015</b>	<b>2014</b>
Discount rate +0.5%			– 6,599	– 6,470
Discount rate – 0.5%			7,532	7,530
Salary trend +0.5%			793	809
Salary trend – 0.5%			– 767	– 623
Pension trend +0.5%			4,033	3,509
Pension trend – 0.5%			– 1,132	– 1,826

As of December 31, 2015, the weighted duration of the pension obligations amounts to 21 years (previous year: 23 years) for German Group companies and 17 years (previous year: 19 years) for international Group companies.

In the coming financial years, the following payments from the Company and from plan assets overall are expected for defined benefit plans:

<b>Expected pension payments according to maturity dates in € 000s</b>	<b>Germany</b>	<b>Outside Germany</b>
Less than 1 year	582	2,092
Between 1 and 2 years	587	2,242
Between 2 and 3 years	638	3,732
Between 3 and 4 years	897	2,198
Between 4 and 5 years	897	2,209
Between 5 and 10 years	9,519	15,852

For the coming financial year, employer contributions, consisting of direct pension payments and contributions to the plan, are expected in the amount of € 0.8 million for German Group companies and € 2.7 million for international Group companies.

The regulations of IAS 19 require a presentation of the benefit plans that generate obligations for the company. For the STADA Group, pension plans in Germany, the Netherlands, the United Kingdom and Switzerland account for the largest share of total obligations with 83%. Accordingly, the following details focus more on these countries.

In Germany, the legal framework for company pension plans is provided by the Company Pensions Act (Betriebsrentengesetz -BetrAVG), in which the minimum legal requirements for company pension plans are embedded. Regulation and legal precedents within labor law must also be followed. The pension plans are predominantly based upon the final salary and are concluded with newly hired employees. Plan participants are primarily beneficiaries. Benefits are paid out in the form of a pension.

In Germany, STADA has plan assets in the form of reinsurance policies and in the form of assets in a pension fund. As of December 31, 2015, plan assets amounted to € 37.3 million and were composed of three different plans. There are no plan assets for two additional plans.

In the context of risk assessment, the life expectancy of plan participants plays a smaller role in Germany, as the material obligation regarding its amount and including associated risks was outsourced in financial year 2014. Furthermore, there is also the common risk of the interest rate development and the risk that the real future salary development exceeds the salary development derived from assumptions taken in the evaluation.

The pension commitment for the Chairman of the Executive Board was transferred to a pension fund in full in financial year 2014. Despite the transfer, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as a defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly. The existing plan assets lead to a provision of zero due to offsetting that must be



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

carried out at the time of the plan amendment for this benefit plan. Because the pension commitment is fully funded, no further provisions are expected in the future.

Pension legislation in the Netherlands requires pension plans to be backed by assets to such an extent that the vested benefits are completely covered. The underlying average career pension plan in the Netherlands is, in part, financed via insurance contributions that are designed to fulfill the aforementioned requirement. The plan is open for new employees and contains benefits that fall due in case of retirement or early death.

In the Netherlands, the pension plan is partially financed via contributions to an insurance company. Assets received by the insurance company thereby cannot be allocated to specific participating companies. The assets cannot be determined by a quoted active market price, instead they are determined according to the amount of vested benefit obligations. In practice, the assets are estimated according to the amount of vested benefit obligations. As of December 31, 2015, plan assets amounted to € 22.7 million.

The Dutch company pays annual pension contributions. In the process, life expectancy risk and interest rate risk are transferred to the insurance company. The insurance company also assumes the risk of investing the contributions. These risks are assumed by the insurance company for the entire term of the contract. If, for example, the discount rate used by the insurance company in its calculations should change, a new contract could be concluded that applies the new discount rate to underlie only future contributions received.

Not all risks have been transferred to the insurance company. Dutch law specifies that former employees have the right to transfer their pension entitlements to the pension plan of a new employer. If the evaluation assumptions applied in the transfer differ from the originally applied assumptions of the insurance, the company could be required to pay an additional contribution payment.

In the United Kingdom, STADA provides its employees with defined benefit plans that are concluded for new hires. The employees can also no longer earn an additional increase in their entitlements. The pension plan plans are subject to the UK Trust Law and the UK Pension Regulator. The pension plans are monitored by trustees who determine the investment strategy. The trustees are also responsible for fulfilling the legally required pension plan funding and thereby ensuring sufficient assets to cover the technical provisions of the plan. The pension plan is subject to risks relating to the discount rate and participant life expectancy as well as inflation risk, if these values develop contrary to expectations. If the discount rate is low, the level of funding decreases, which may require the payment of additional contributions. There is a financing risk in plan assets in that plan assets could develop contrary to expectations and plan assets could therefore only compensate in part for changes in the obligations.

In the long-term, 40% of the plan assets in the United Kingdom should be invested in so-called matching assets, which guarantee the fulfillment of future pension obligations under changing market conditions. In accordance with target allocation, the remaining 60% should be invested in so-called growth assets, for which an above-average return is expected in comparison with the obligation development. As of December 31, 2015, plan assets amounted to € 24.1 million. All assets have quoted market prices on an active market.

In Switzerland, every employer must offer its employees a pension plan according to federal pension law (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge—BVG). Employees whose salary exceeds the entry limit are obliged to be insured—this is re-determined periodically. The BVG requires a minimum plan (the “BVG minimum”) that must always be covered. STADA's Swiss benefit plan includes benefits in case of death, disability, departure and upon reaching retirement age. The annual pension is calculated based on a savings account and conversion rate determined according to the age of retirement. Plan participants can opt for a capital option.

The contributions for defined contribution plans, which are reported as expense in the respective period in the relevant functional areas, amounted to € 22.4 million in financial year 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Other non-current provisions (Continued)

The other non-current provisions developed as follows:

Other non-current provisions in €000s	2015	2014
<b>As of Jan. 1</b> . . . . .	<b>3,243</b>	<b>3,104</b>
Current service cost . . . . .	282	315
Past service cost . . . . .	1	- 59
Plan settlements . . . . .	—	—
Interest cost . . . . .	207	218
Benefits paid . . . . .	- 443	- 324
Business combinations . . . . .	—	—
Revaluations		
• Gains (-)/losses (+) due to changed demographic assumptions . . . . .	19	75
• Gains (-)/losses (+) due to changed financial assumptions . . . . .	- 1	63
• Gains (-)/losses (+) due to experience-based changes . . . . .	132	- 7
Currency changes . . . . .	- 6	- 257
Reclassifications . . . . .	—	115
<b>As of Dec. 31</b> . . . . .	<b><u>3,434</u></b>	<b><u>3,243</u></b>

The following actuarial parameters were used as a basis for measuring the other long-term provisions:

Parameters for other long-term provisions for international Group companies (weighted)	Dec. 31, 2015	Dec. 31, 2014
Discount rate . . . . .	6.7%	6.5%
Salary trend . . . . .	4.0%	4.0%
Inflation . . . . .	3.3%	3.2%

### 36. Financial liabilities

Financial liabilities are comprised as follows in accordance with their remaining terms as of the balance sheet date:

in € 000s	Liabilities promissory note loans		Amounts due to banks		Liabilities from bonds		Total	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Remaining terms up to 1 year	187,734	50,487	86,938	48,336	—	349,880	274,672	448,703
Remaining terms over 1 year								
up to 3 years . . . . .	43,935	231,330	80,353	103,107	348,149	—	472,437	334,437
Remaining terms over 3 years								
up to 5 years . . . . .	314,252	269,017	—	52,161	—	347,391	314,252	668,569
Remaining terms over 5 years	—	—	—	39,992	297,524	—	297,524	39,992
<b>Financial liabilities</b> . . . . .	<b><u>545,921</u></b>	<b><u>550,834</u></b>	<b><u>167,291</u></b>	<b><u>243,596</u></b>	<b><u>645,673</u></b>	<b><u>697,271</u></b>	<b><u>1,358,885</u></b>	<b><u>1,491,701</u></b>

The change in financial liabilities was mainly based on the placement of another bond in the first quarter of 2015 with a nominal value in the amount of € 300 million for the refinancing of a corporate bond with a nominal value of € 350 million which reached maturity in April 2015. In addition, two new loans were taken out in the third quarter of 2015. In opposition, financial liabilities were repaid in the current financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Financial liabilities (Continued)

The contractually agreed undiscounted cash flows, as of the balance sheet date December 31, 2015, from interest payments and repayment of financial liabilities for the coming years can be seen in the following chart:

in € 000s	2016			2017			> 2018		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from financial liabilities . . . . .	30,295	3,856	248,978	19,167	2,188	94,352	42,164	2,377	990,142

The following projection of cash flows from financial liabilities was generated in the previous year:

in € 000s	2015			2016			> 2016		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from financial liabilities . . . . .	38,676	14,274	453,786	20,376	11,731	223,764	52,244	27,203	818,516

For the financial liabilities existing as of the balance sheet date, a repayment in accordance with the maturity disclosed in the balance sheet was generally assumed. For current liabilities due to banks, an extension of existing credit lines was partly assumed. The variable interest payments from the promissory note loans were determined based on the interest rate last fixed before December 31, 2015.

Internal measures to ensure the necessary liquidity for repayment of financial liabilities are detailed in the Notes on the capital management of liquidity risk (see Note 46.5.).

### 37. Trade accounts payable

Trade accounts payable are composed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Trade accounts payable to third parties . . . . .	252,278	271,765
Trade accounts payable to non-consolidated Group companies . . . . .	115	200
Advances received on orders from third parties . . . . .	1,618	1,660
Liabilities from outstanding accounts . . . . .	74,476	67,222
<b>Total . . . . .</b>	<b>328,487</b>	<b>340,847</b>

Of the total amount of trade accounts payable, € 0.0 million (previous year: € 0.1 million) is due after one year.

The change in trade accounts payable was primarily based on lower liabilities of STADapharm to health insurance organizations due to reduced business activities as well as reduced business in Belgium.

### 38. Other financial liabilities

Other financial liabilities are broken down as follows:

in € 000s	Dec. 31, 2015		Dec. 31, 2014	
	Total	thereof: current	Total	thereof: current
Outstanding purchase price liabilities . . . . .	3,972	1,545	32,233	32,233
Finance lease liabilities . . . . .	2,211	1,010	3,081	1,056
Liabilities from derivative financial instruments . . . . .	4,611	4,283	3,124	348
Other financial liabilities . . . . .	215,199	215,199	224,224	223,766
<b>Total . . . . .</b>	<b>225,993</b>	<b>222,037</b>	<b>262,662</b>	<b>257,403</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. Other financial liabilities (Continued)

As of December 31, 2015 the outstanding purchase price liabilities were mainly based on amounts from the acquisition of the British Socialites group and various products in the United Kingdom, which were not yet due. As of December 31, 2014, the outstanding purchase price liabilities had primarily resulted from installments which were not yet due for the acquisition of branded products in Russia as well as the outstanding contingent purchase price payment for the acquisition of the British company Internis.

Finance lease liabilities, such as for vehicles and passenger vehicles, amount to €2.2 million (previous year: €3.1 million). Considering interest in the amount of €0.3 million (previous year: €0.6 million), lease installments payable in subsequent years total €2.5 million (previous year: €3.7 million). The lease liabilities are due as follows:

in € 000s	Lease installments		Interest		Finance lease liabilities	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Remaining terms up to 1 year . . . . .	1,214	1,371	204	315	1,010	1,056
Remaining terms over 1 year up to 3 years . . . . .	1,294	2,335	113	310	1,181	2,025
Remaining terms over 3 years up to 5 years . . . . .	22	—	2	—	20	—
Remaining terms over 5 years . . . . .	—	—	—	—	—	—
<b>Total . . . . .</b>	<b>2,530</b>	<b>3,706</b>	<b>319</b>	<b>625</b>	<b>2,211</b>	<b>3,081</b>

In addition, the negative market values of derivatives measured at fair value through profit or loss were reported in liabilities from derivative financial instruments. In financial year 2015, as in the previous year, this continued to relate to interest rate swaps, which are used as hedging instruments as well as cross-currency swaps and currency forwards (see Note 46.7.). Within the scope of the maturity date analysis, the following contractually agreed remaining terms result for these derivative financial liabilities:

in € 000s	Derivative financial liabilities	
	Dec. 31, 2015	Dec. 31, 2014
Remaining terms up to 1 year . . . . .	1,283	348
Remaining terms over 1 year up to 3 years . . . . .	3,328	2,776
Remaining terms over 3 years up to 5 years . . . . .	—	—
Remaining terms over 5 years . . . . .	—	—
<b>Total . . . . .</b>	<b>4,611</b>	<b>3,124</b>

Remaining financial liabilities include liabilities from discount agreements of German STADA companies in the amount of €178.3 million (previous year: €192.1 million) and furthermore comprise many insignificant individual items in the Group companies. The remaining financial liabilities fall due in the amount of €202.5 million (previous year: €223.8 million) within one year, in the amount of €3.2 million after one year and up to five years (previous year: €0.5 million).

The contractually agreed undiscounted cash flows, as of the balance sheet date December 31, 2015, from interest payments and repayment of finance lease liabilities and for the liabilities from derivative financial instruments for the coming years can be seen in the following table:

in € 000s	2016			2017			2018–2020		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from finance									
lease liabilities . . . . .	204	—	1,010	96	—	883	19	—	318
Cash flows from derivatives	1,465	—	—	107	—	—	—	—	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. Other financial liabilities (Continued)

The following projection of cash flows from finance lease liabilities as well as derivatives was generated in the previous year:

in € 000s	2015			2016			2017-2019		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from finance lease liabilities . . . . .	315	—	1,056	206	—	956	104	—	1,069
Cash flows from derivatives	2,185	—	—	1,187	—	—	1,185	—	—

Included were all financial instruments used by STADA which existed as of December 31, 2015 and for which payments had already been contractually agreed.

Further details on liabilities from derivative financial instruments can be found in the Notes on financial instruments (Note 45. and Note 46.7.).

### 39. Other liabilities

Other liabilities were comprised as follows:

in € 000s	Dec. 31, 2015		Dec. 31, 2014	
	Total	thereof: current	Total	thereof: current
Tax liabilities . . . . .	12,499	12,499	1,949	1,949
Personnel related liabilities . . . . .	47,387	47,254	46,521	46,145
Other liabilities . . . . .	44,548	42,628	40,475	39,211
<b>Total . . . . .</b>	<b>104,434</b>	<b>102,381</b>	<b>88,945</b>	<b>87,305</b>

Personnel-related liabilities relate to € 0.1 million in accruals in connection with partial retirement agreements as of December 31, 2015 (previous year: € 0.4 million).

Remaining liabilities comprise many insignificant individual items in the Group companies.

### 40. Other provisions

Other provisions are composed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Provisions set aside for damages . . . . .	1,082	343
Warranties . . . . .	21,450	17,099
<b>Total . . . . .</b>	<b>22,532</b>	<b>17,442</b>

Provisions set aside for damages include possible utilization from pending legal disputes including the associated legal costs and developed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
<b>As of Jan. 1 . . . . .</b>	<b>343</b>	<b>604</b>
Added . . . . .	739	1,721
Utilized . . . . .	—	1,964
Reversed . . . . .	—	18
Currency translation differences . . . . .	—	—
<b>As of Dec. 31 . . . . .</b>	<b>1,082</b>	<b>343</b>

Utilization is expected within the next twelve months.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 40. Other provisions (Continued)

Provisions for warranties developed as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
<b>As of Jan. 1</b> . . . . .	<b>17,099</b>	<b>16,932</b>
Added . . . . .	13,046	5,138
Utilized . . . . .	8,632	3,897
Reversed . . . . .	63	1,074
Changes in the scope of consolidation . . . . .	—	—
<b>As of Dec. 31</b> . . . . .	<b><u>21,450</u></b>	<b><u>17,099</u></b>

### Other Disclosures

#### 41. Notes to the cash flow statement

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to € 311.7 million in the reporting year (previous year: € 223.8 million). The increase in cash flow from operating activities of € 87.9 million compared to the previous year is primarily due to a decreased cash-efficiency in the area of other net assets. The resulting positive effects on operating cash flow were, on the one hand, reinforced by lower income tax payments than in the previous year and, on the other hand, only partly compensated through a cash-effective increase in trade receivables.

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. It amounted to € –178.2 million in the reporting year (previous year: € –262.0 million).

In financial year 2015, payments for investments in intangible assets in the amount of € 81.4 million (previous year: € 181.4 million) were made, of which € 32.3 million (previous year: € 147.5 million) related to significant investments in intangible assets for the short-term expansion of the product portfolio. Acquisition-related sales growth was generally associated with these investments in the reporting year. Proceeds from the disposal of non-current assets in the financial year amounted to € 11.8 million (previous year: € 12.0 million).

In financial year 2015, cash flow from investing activities was particularly influenced by the settlement of outstanding payments for the acquisition of the Russian branded product portfolio Aqualor®, the Russian branded products AndroDoz® and NeroDoz®, as well as the British company Internis Pharmaceuticals. Furthermore, purchase price payments from the acquisition of the Austrian company SCIOTEC Diagnostic Technologies as well as the British Socialites group are included in cash flow from investing activities. Proceeds from the disposal of shares in consolidated companies exclusively relate to the deconsolidation of the French subsidiary Laboratoires d'études et de recherches en oligo éléments thérapie SA. The sales price amounted to € 7.3 million and was/is to be paid in cash or cash equivalents. Cash and cash equivalents in the amount of € 0.6 million, assets in the amount of € 6.2 million and liabilities in the amount of € 2.1 million were thereby disposed of. Proceeds from the disposal of intangible assets mainly resulted from the sale of approvals and trademarks in France and Italy. In the previous year, payments for investments in intangible assets primarily related to the purchase of the Russian branded product portfolio Aqualor®. Furthermore, there were payments for business combinations from the purchase of the branded product portfolio Flexitol® and the acquisition of the British company Internis in the previous year.

Cash flow from financing activities amounts to € –155.1 million in financial year 2015 (previous year: € 83.7 million) and encompasses payments from changes in financial liabilities, dividend distribution payments and payments for treasury shares as well as additions to shareholders' equity. This development is primarily attributable to proceeds from the placement of a corporate bond with a nominal value in the amount of € 300 million for the refinancing of a corporate bond with a nominal value of € 350 million which reached maturity in April 2015. Furthermore, two new loans were taken out in financial year 2015 in

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41. Notes to the cash flow statement (Continued)

the amount € 20 million and € 25 million respectively. In the previous year, there were proceeds from securing financial liabilities, among other things, in connection with promissory note loans secured in financial year 2014 in the total amount of € 270 million and a loan in the amount of approx. € 121 million for financing the purchase of the branded product portfolio Aqualor®. Furthermore, more financial liabilities were repaid in the reporting period than in the previous year.

Dividend distribution payments of € 40.0 million primarily related to the dividend paid to the shareholders of STADA Arzneimittel AG for financial year 2014.

Proceeds from the capital increase are the result of the exercise of STADA warrants 2000/2015 (see Note 34.1. and 34.2.).

Free cash flow as the sum of cash flow from operating activities and cash flow from investing activities amounted to € 133.5 million in financial year 2015 (previous year: € –38.2 million) and is therefore still significantly characterized by a high volume of acquisitions.

Free cash flow, adjusted for effects from payments for significant investments and acquisitions and effects of proceeds from significant disposals is calculated as follows:

in € 000s	2015	2014
Cash flow from operating activities . . . . .	311,748	223,810
Cash flow from investing activities . . . . .	–178,217	–261,980
+ Payments for investments in business combinations according to IFRS 3 . . .	56,778	55,054
+ Payments for significant investments in intangible assets for the short-term expansion of the product portfolio . . . . .	32,256	147,487
– Proceeds from disposals in significant disinvestments . . . . .	10,207	6,960
<b>Adjusted free cash flow . . . . .</b>	<b>212,358</b>	<b>157,411</b>

### 42. Segment information

The measurement approaches for segment reporting are in accordance with the financial reporting methods used in the IFRS consolidated financial statements. Services between the segments are charged based on market prices.

Segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reallocated.

Generally, STADA's operating segments are divided into the two core segments Generics and Branded Products, as well as into the non-core segment Commercial Business.

Pursuant to STADA's segment definition, which has been used since 2006, Generics are products for the health care market—usually with a drug character—which contain one or several active ingredients whose commercial property rights have expired or will expire shortly and whose sales positioning complies with one of the two following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient,
- or
- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active ingredients whose commercial property rights have usually expired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 42. Segment information (Continued)

According to STADA's segment definition, which has been used since 2006, Branded Products are products for the health care market which contain one or several active ingredients whose commercial property rights have usually expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products,
- or
- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

STADA also conducts business and has equity interests in fields outside the core segments. As a rule, the objective of these activities is to supplement and support the Group's activities in the core segments. Transactions that mainly involve trading and selling—such as in wholesaling activities—are grouped together in the Commercial Business segment. All other income, expenses and assets, which cannot be directly allocated to the segments, as well as the elimination of sales between segments are recognized under the reconciliation Group holdings/other and consolidation.

STADA aggregates business segments into the reportable segments of Generics, Branded Products and Commercial Business, because the type of products, the sales methods and the regulatory framework conditions are largely comparable across market regions.

Disclosures on significant non-cash items include impairments on inventories and receivables; they do not, however, include depreciation and amortization as well as the offsetting of impairments and write-ups. In addition, further non-cash items, particularly non-cash effects from accruals for health insurance organization billings are included here. Reporting of the segment liabilities and non-current segment assets is waived, as this is without relevance for Group monitoring and for Group reporting.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**42. Segment information (Continued)**

**42.1. Information by operating segment**

<u>in € 000s</u>		<u>2015</u>	<u>2014</u>
<b>Generics</b> . . . . .	<b>External sales</b>	<b>1,217,537</b>	<b>1,217,729</b>
	Sales with other segments	398	571
	Total sales	1,217,935	1,218,300
	Operating profit	178,528	108,314
	Depreciation/amortization	49,618	50,743
	Impairment losses	5,476	63,924
	Reversals	—	—
	Other significant non-cash items within operating result	– 192,190	– 221,153
<b>Branded Products</b> . . . . .	<b>External sales</b>	<b>853,598</b>	<b>800,558</b>
	Sales with other segments	—	—
	Total sales	853,598	800,558
	Operating profit	130,043	138,206
	Depreciation/amortization	60,704	59,444
	Impairment losses	20,970	33,896
	Reversals	—	—
	Other significant non-cash items within operating result	– 32,466	– 32,430
<b>Commercial Business</b> . . . . .	<b>External sales</b>	<b>43,907</b>	<b>43,960</b>
	Sales with other segments	—	—
	Total sales	43,907	43,960
	Operating profit	– 860	871
	Depreciation/amortization	151	139
	Impairment losses	4	—
	Reversals	—	—
	Other significant non-cash items within operating result	– 169	– 170
<b>Reconciliation Group holdings/other and consolidation</b> . . . . .	<b>External sales</b>	<b>87</b>	<b>—</b>
	Sales with other segments	– 398	– 571
	Total sales	– 311	– 571
	Operating profit	– 83,968	– 58,864
	Depreciation/amortization	8,175	10,664
	Impairment losses	6,750	9,711
	Reversals	—	—
	Other significant non-cash items within operating result	– 1,404	16,418
<b>Group</b> . . . . .	<b>External sales</b>	<b>2,115,129</b>	<b>2,062,247</b>
	Sales with other segments	—	—
	Total sales	2,115,129	2,062,247
	Operating profit	223,743	188,527
	Depreciation/amortization	118,648	120,990
	Impairment losses	33,200	107,531
	Reversals	—	—
	Other significant non-cash items within operating result	– 226,229	– 237,335

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 42. Segment information (Continued)

#### 42.2. Reconciliation of segment results to net profit

in € 000s	2015	2014
Operating segment profit . . . . .	307,711	247,391
Reconciliation Group holdings/other and consolidation . . . . .	– 83,968	– 58,864
Result from investments measured at equity . . . . .	1,419	1,595
Investment income . . . . .	138	132
Financial income . . . . .	1,170	4,833
Financial expenses . . . . .	68,667	70,393
<b>Earnings before taxes, Group . . . . .</b>	<b>157,803</b>	<b>124,694</b>

#### 42.3. Reconciliation of segment assets to Group assets

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Segment assets . . . . .	1,868,754	1,863,967
Reconciliation Group holdings/other and consolidation . . . . .	103,223	75,015
Other non-current assets . . . . .	60,332	74,837
Current assets . . . . .	1,255,106	1,321,639
<b>Total assets, Group . . . . .</b>	<b>3,287,415</b>	<b>3,335,458</b>

#### 42.4. Information by country

in € 000s	Development of sales by the company's registered office		Non-current assets	
	2015	2014	Dec. 31, 2015	Dec. 31, 2014
Germany . . . . .	482,838	462,565	577,247	599,702
Russian Federation . . . . .	315,755	381,958	192,230	221,847
United Kingdom . . . . .	252,383	185,179	525,101	468,059
Italy . . . . .	189,183	180,895	38,414	43,955
Spain . . . . .	117,190	109,548	61,687	61,529
Other regions . . . . .	757,780	742,102	575,958	541,854
<b>Total, Group . . . . .</b>	<b>2,115,129</b>	<b>2,062,247</b>	<b>1,970,637</b>	<b>1,936,946</b>

In the presentation of sales by the company's registered office, sales to third parties are shown according to the invoicing company's registered office of the countries listed.

Disclosures on assets by country relate to parts of the non-current assets (intangible assets, property, plant and equipment).

#### 42.5. Information about major customers

In accordance with IFRS 8.34, a company must provide notification when sales revenues from business activities from a single external customer amount to at least 10% of the company's total sales revenues. As in the previous year, this related to no customer in the reporting year.

### 43. Contingent liabilities

Contingent liabilities describe possible obligations with respect to third parties which result from past events and which may lead to a future outflow of resources depending on specific events. As of the balance sheet date, these contingent liabilities were considered improbable and are therefore not recognized.

STADA has contingent liabilities, among other things, in connection with patent risks for certain active pharmaceutical ingredients and associated pending or impending proceedings. The resulting possible obligations amounted to approx. € 12.4 million (previous year: € 18.9 million). The reduction of contingent



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43. Contingent liabilities (Continued)

liabilities compared with the previous year is mainly due to a changed assessment of possible obligations as of the balance sheet date in the market region Central Europe. Potential obligations from the previous year in the amount of € 2.8 million in the market region CIS/Eastern Europe no longer exist. Provisions were not created for contingent liabilities as the probability of an outflow of assets is under 50%. Outflows potentially resulting from these risks would generally be short-term.

The lawsuit that the insolvency administrator of Velefarm Holding and Velefarm VFB had submitted to Belgrade's commercial court against Hemofarm A.D., a subsidiary of STADA Arzneimittel AG, and Velefarm Prolek, a company of the Velefarm group, in the first quarter of 2014 was settled on December 18, 2015.<sup>(1)</sup> Within the scope of the settlement, the insolvency administrator waives his original claim in the amount of approx. € 54.2 million (in local currency translated using the currency exchange rate at that time), which he had filed in court. In return, Hemofarm waives most of a claim in the single-digit million euro range which was already fully impaired by STADA in 2010. Hemofarm and STADA believed that the lawsuit is unfounded and for this reason, no provisions were made for this purpose.

### 44. Other financial obligations

In addition to the contingent liabilities, there were other future financial obligations, which can be broken down as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Operating lease liabilities . . . . .	81,288	72,892
Other financial obligations . . . . .	33,634	31,536
<b>Total . . . . .</b>	<b><u>114,922</u></b>	<b><u>104,428</u></b>

Liabilities from operating leases relate particularly to IT equipment and vehicles. In addition, there are liabilities from long-term rental agreements for office buildings with an average contract term of five years.

The total of future minimum lease payments under operating leases amounted to € 81.3 million as of the end of the financial year (previous year: € 72.9 million) and can be broken down according to remaining term as follows:

in € 000s	Operating leases Dec. 31, 2015	Dec. 31, 2014
Remaining terms up to 1 year . . . . .	32,151	25,280
Remaining terms over 1 year to 5 years . . . . .	39,473	36,909
Remaining terms over 5 years . . . . .	9,664	10,703
<b>Total . . . . .</b>	<b><u>81,288</u></b>	<b><u>72,892</u></b>

Lease payments in the amount of € 30.5 million (previous year: € 29.2 million) were recognized as an expense in financial year 2015.

There is still a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG which are recognized under the equity method.

STADA, as guarantor, has recognized this guarantee in the reporting year as financial guarantee in accordance with IAS 39 at its fair value in the amount of € 0.3 million (previous year: € 0.3 million). Utilization of this guarantee granted is currently not expected.

Furthermore, additional guarantees assumed by the STADA Group are included in other financial liabilities, among other things.

(1) See the Company's ad hoc release of February 14, 2014 and ad hoc update of December 18, 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 45. Disclosures about financial instruments

### 45.1. Carrying amounts, valuation rates and fair values according to valuation categories

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are used for the valuation categories pursuant to IAS 39: LaR (loans and receivables), HtM (held-to-maturity investments), AfS (available-for-sale financial assets), FAHFT (financial assets held for trading), FLHFT (financial liabilities held for trading) and FLAC (financial liabilities measured at amortized cost).

in € 000s	Valuation rate balance sheet in accordance with IAS 39				Valuation rate balance sheet in accordance with IAS 39				Valuation rate in accordance with IAS 17	Fair value Dec. 31, 2014		
	Carrying amount Dec. 31, 2015	Valuation category pursuant to IAS 39	Fair value not included in the income statement		Valuation rate in accordance with IAS 17	Fair Value Dec. 31, 2015	Carrying amount previous year	Fair value not included in the income statement			Fair value included in the income statement	
			Amortized cost	Fair value included in the income statement				Amortized cost				Fair value included in the income statement
<b>Assets</b>												
Cash and cash equivalents . . . . .	143,178	LaR	143,178	—	—	143,178	164,209	164,209	—	—	164,209	
Trade accounts receivable . . . . .	485,901	LaR	485,901	—	—	485,901	502,794	502,794	—	—	502,794	
Available-for-sale financial assets . .	1,339	AfS	1,339	—	—	1,339	2,065	2,036	29	—	2,065	
<b>Derivative financial assets without hedging relationship . . . . .</b>												
FAHfT . . . . .	27,461	FAHfT	—	27,461	—	27,461	33,250	—	—	33,250	33,250	
Other financial assets . . . . .	55,536	LaR	55,536	—	—	55,536	65,393	65,393	—	—	65,393	
<b>Equity and liabilities</b>												
Trade accounts payable . . . . .	326,869	FLAC	326,869	—	—	326,869	339,187	339,187	—	—	339,187	
Amounts due to banks . . . . .	167,290	FLAC	167,290	—	—	165,045	243,596	243,596	—	—	245,914	
Promissory note loans . . . . .	545,921	FLAC	545,921	—	—	577,812	550,834	550,834	—	—	592,749	
Bonds . . . . .	645,673	FLAC	645,673	—	—	659,125	697,271	697,271	—	—	715,750	
Liabilities financial leasing . . . . .	2,211	n/a	—	—	2,211	2,211	3,081	—	—	3,081	3,081	
Derivative financial liabilities with hedging relationship . . . . .	1,274	n/a	—	1,274	—	1,274	2,666	—	2,666	—	2,666	
Derivative financial liabilities without hedging relationship . . .	3,338	FLHfT	—	3,338	—	3,338	458	—	—	458	458	
Other financial liabilities . . . . .	219,171	FLAC	219,171	—	—	219,171	256,457	256,457	—	—	256,457	
<b>Thereof aggregated according to valuation categories in accordance with IAS 39:</b>												
Loans and receivables . . . . .	684,615	LaR	684,615	—	—	684,615	732,396	732,396	—	—	732,396	
Available-for-sale financial assets . .	1,339	AfS	1,339	—	—	1,339	2,065	2,036	29	—	2,065	
Financial assets held for trading . .	27,461	FAHfT	—	27,461	—	27,461	33,250	—	—	33,250	33,250	
<b>Financial liabilities measured at amortized cost . . . . .</b>												
FLAC . . . . .	1,904,924	FLAC	1,904,924	—	—	1,948,022	2,087,345	2,087,345	—	—	2,150,057	
Financial liabilities held for trading	3,338	FLHfT	—	3,338	—	3,338	458	—	—	458	458	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Disclosures about financial instruments (Continued)

Since cash and cash equivalents as well as trade accounts receivable mainly have short remaining terms, their carrying amounts as of the closing date correspond approximately to the fair value.

Deviations of the fair values from the carrying amounts occur as shown in the chart above in the case of promissory note loans, bonds, as well as liabilities to banks. The cash flows calculated by means of the current yield curve were discounted to the measurement date to determine the fair values.

Available-for-sale financial assets are primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices.

The fair values of remaining financial receivables as well as of held-to-maturity financial investments with remaining terms of more than a year correspond to the present values of the payments connected with the assets taking into consideration the respectively current interest parameters that reflect market and partner-related changes in the conditions and expectations. Trade accounts payable as well as remaining financial liabilities also regularly have short remaining terms so that the recognized values approximate the fair values.

For the disclosures according to class of financial instrument necessary in accordance with IFRS 7, STADA defines each valuation category as a class.

The chart below shows how the valuation rates of financial instruments measured at fair value were determined for the respective classes of financial instruments:

Fair values by levels of hierarchy in € 000s on a recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Available-for-sale financial assets (AfS)						
• Securities . . . . .	—	29	—	—	—	—
Financial assets held for trading (FAHfT)						
• Currency forwards . . . . .	—	—	—	—	3,118	749
• Interest rate/currency swaps . . . . .	—	—	—	—	24,343	32,501
Financial liabilities held for trading (FLHfT)						
• Currency forwards . . . . .	—	—	—	—	9	5
• Interest rate/currency swaps . . . . .	—	—	—	—	3,329	453
Derivative financial liabilities with hedging relationship						
• Cash flow hedges . . . . .	—	—	—	—	1,274	2,666

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If the need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period. In the financial year, there were no reclassifications among the respective hierarchy levels.

The fair values are analyzed in the context of the preparation of the financial statements. For this purpose, market comparisons and change analyses are carried out.

Available-for-sale financial assets (AfS) of the previous year related to shares for which market prices were available for measurement. Derivative financial assets (FAHfT) and derivative financial liabilities (FLHfT) include positive or negative market values of derivative financial instruments (interest rate/currency swaps and foreign exchange swaps) not part of a hedging relationship. The fair values were determined using appropriate valuation models by external third parties. This includes the application of discounted cash flow methods, which are largely based on input parameters observable in the market. The cash flows which are already fixed or calculated by means of the current yield curve are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the balance sheet date. The same applies for the calculation of the fair values of the derivative financial liabilities with a hedging

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Disclosures about financial instruments (Continued)

relationship, which reflect the negative market values of the interest rate swaps used as hedging instruments.

The subsequent chart shows how the valuation rates of assets measured at fair value on a non-recurring basis were determined:

Fair values by levels of hierarchy in € 000s on a non-recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Non-current assets and disposal groups held for sale . . . . .	—	—	—	331	—	—

The assets held for sale of the previous year comprised real estate held by a STADA subsidiary in Serbia, which was reclassified to non-current assets as of the balance-sheet date. The non-recurring basis for the determination of fair value was based on an appraisal prepared by an independent expert and was largely determined based on input parameters observable in the market.

As STADA utilizes pricing information from external third parties without further correction in the determination of the fair value, and therefore does not produce any quantitative, non-observable input factors, the option of IFRS 13 to waive the disclosure of quantitative information on such input factors is taken.

Financial assets and liabilities allocated to hierarchy level 3 and measured at fair value developed as follows in financial year 2015:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
<b>as of Jan. 1, 2015</b> . . . . .	<b>33,250</b>	<b>– 3,124</b>
Reclassification from level 2 . . . . .	—	—
Currency changes . . . . .	—	—
Total result . . . . .	– 782	– 1,728
• in the income statement . . . . .	– 782	– 3,120
• directly in equity . . . . .	—	1,393
Additions . . . . .	—	—
Realizations . . . . .	– 5,007	241
Reclassification in level 2 . . . . .	—	—
<b>Balance at December 31, 2015</b> . . . . .	<b>27,461</b>	<b>– 4,611</b>
<b>Income recognized in the income statement</b> . . . . .	<b>– 12,804</b>	<b>– 3,120</b>
Other earnings/other expenses . . . . .	6,826	– 2,890
thereof		
• attributable to assets/liabilities held as of the balance sheet date . . . . .	8,302	– 2,653
Financial result . . . . .	– 7,609	– 230
thereof		
• attributable to assets/liabilities held as of the balance sheet date . . . . .	– 7,332	– 231

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Disclosures about financial instruments (Continued)

Financial assets and liabilities allocated to hierarchy level 3 and measured at fair value developed as follows in the previous year:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
<b>as of Jan. 1, 2014</b> . . . . .	<b>10,520</b>	<b>– 5,619</b>
Reclassification from level 2 . . . . .	—	—
Currency changes . . . . .	—	—
Total result . . . . .	24,698	3,582
• in the income statement . . . . .	24,698	1,500
• directly in equity . . . . .	—	2,082
Additions . . . . .	—	—
Realizations . . . . .	– 1,967	– 1,087
Reclassification in level 2 . . . . .	—	—
<b>Balance at December 31, 2014</b> . . . . .	<b>33,250</b>	<b>– 3,124</b>
<b>Income recognized in the income statement</b> . . . . .	<b>20,818</b>	<b>1,500</b>
Other earnings/other expenses . . . . .	21,314	1,296
thereof		
• attributable to assets/liabilities held as of the balance sheet date . . . . .	21,304	– 196
Financial result . . . . .	3,384	204
thereof		
• attributable to assets/liabilities held as of the balance sheet date . . . . .	3,384	– 262

#### 45.2. Net earnings from financial instruments by valuation category

Net earnings recognized in income from financial assets and liabilities can be broken down as follows:

Net earnings by valuation category in € 000s	from interest and dividends	from subsequent measurement			From disposals	Net earnings	
		At fair value	Currency translation	Valuation allowance		Dec. 31, 2015	Dec. 31, 2014
Loans and receivables (LaR) . . . .	1,142	—	– 37,860	– 9,367	—	– 46,085	– 8,598
Available-for-sale financial assets (AfS) . . . . .	162	—	—	– 159	—	3	– 2,490
Financial assets held for trading (FAHfT) . . . . .	– 1,758	970	—	—	19,448	– 5,789	22,730
Financial liabilities measured at amortized cost . . . . .	– 48,381	—	– 6,033	—	—	– 54,414	– 111,371
Financial liabilities held for trading (FLHfT) . . . . .	– 98	– 2,885	—	—	– 12,634	– 15,617	413
<b>Total</b> . . . . .	<b>– 48,933</b>	<b>– 1,915</b>	<b>– 43,893</b>	<b>– 9,526</b>	<b>6,814</b>	<b>– 97,453</b>	<b>– 99,316</b>

The disclosure of interest from financial instruments is made in financial income and financial expenses in the interest result. Dividends received are disclosed in investment income. With the exception of the valuation results from interest rate/currency swaps and/or currency swaps recognized at fair value with an effect on income, which are reported under financial income or financial expenses and partially also in the currency translation result, disclosure of the remaining components of net earnings is made in other income or other expenses. Earnings from the disposal of financial instruments relate to currency swaps expired in financial year 2015 and the partial fulfillment of cross-currency swaps.

Valuation results from financial assets held for sale and cash flow hedges, which are reported under other comprehensive income in equity, are not included in this presentation as they had no effect on income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Risk management, derivative financial instruments and disclosures on capital management

#### 46.1. Principles of risk management

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, all transactions above a certain limit determined to be relevant by the Executive Board must first be approved by the Executive Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks. With a view to assets, liabilities and planned transactions, these risks relate in particular to changes in exchange rates and interest rates. It is the objective of financial risk management to limit these market risks of ongoing operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, selected derivative and non-derivative hedging instruments are used.

However, in principle only financial risks which have significant consequences on the Group's cash flow are hedged.

#### 46.2. Currency risks

STADA's Group and balance sheet currency is the euro. Due to the international alignment of business activities, STADA is subject to risks arising from exchange rate fluctuations.

On the one hand, these risks consist of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency as a result of exchange rate fluctuation (transaction risk).

STADA counters risks from currency-related cash flow fluctuations with derivative financial instruments, which are exclusively used to hedge currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In addition to natural hedges, STADA generally employs different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the reporting year 2015, STADA made particular use of foreign-exchange futures contracts and interest/currency swaps. The maturity dates of futures contracts are thereby selected to match the Company's anticipated cash flows. These contracts are currently valid for up to two years.

In the context of consolidated financial statements, on the other hand, exchange rate fluctuations lead to an accounting effect as a result of the conversion of the balance sheet items as well as the conversion of earnings and expenses of international Group companies with a different functional currency than euro (translation risk). The appreciation of the euro as compared to the other currencies is generally negative and depreciation is generally positive. Currency risks primarily stem from business transactions in the following currencies: Russian ruble, pound sterling and Serbian dinar. This risk is not hedged.

It cannot be ruled out, however, that hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal.

STADA determines quantitative disclosures on risks in connection with currency changes by means of aggregating all of the Group companies' foreign currency items that are not denominated in the respective Group company's functional currency. In case of hedging transactions they are compared with the positive or negative balances from the aggregation. This results in the subsequent material outstanding foreign

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Risk management, derivative financial instruments and disclosures on capital management (Continued)

currency items as of the respective balance sheet dates, which in case of a change to the foreign currency item due to a 10% appreciation or a 10% depreciation of the respective functional currency are as follows:

in € 000s	Dec. 31, 2015			Dec. 31, 2014			
	Kazakh-stani tenge	Russian ruble	Ukrainian hryvnia	Kazakh-stani tenge	Ukrainian hryvnia	Serbian dinar	Russian ruble
Outstanding foreign currency item . . . . .	- 16,944	+45,441	- 17,117	- 14,866	- 28,117	+12,322	+7,932
Income (+) /expense (-) from an appreciation of the respective functional currency by 10% . . . . .	- 1,694	+1,341	- 3,721	- 1,487	- 2,812	+1,343	- 588
Income (+) /expense (-) from a depreciation of the respective functional currency by 10% . . . . .	+1,694	- 1,341	+3,721	+1,487	+2,812	- 1,343	+588
Equity increase (+)/equity reduction (-) from an appreciation of the respective functional currency by 10% . . . . .	- 2,053	- 2,054	- 3,740	- 1,510	- 2,425	- 5,301	- 15,890
Equity increase (+)/equity reduction (-) from a depreciation of the respective functional currency by 10% . . . . .	+2,053	+2,054	+3,740	+1,510	+2,425	+5,301	+15,890

Here, any currency risk is isolated, i.e. it is taken into account without mutual dependencies.

The outstanding foreign currency items in Russian ruble and Ukrainian hryvnia relate to a balance from foreign currency reserves at international Group companies in euro and outstanding foreign currency reserves in Russian ruble and Ukrainian hryvnia. The reported outstanding foreign currency items in Kazakhstan tenge exclusively relate to foreign currency reserves at international Group companies in euro. The risk in connection with the outstanding foreign currency reserves in euro, from the Group's perspective, results from the functional currency of the respective international Group company. Overall, based on outstanding foreign currency items as of the balance sheet date, an appreciation or a devaluation of the respective functional currency by 10% compared to the currencies of relevance for the Group would have led to an effect on earnings in the amount of an expense of € 6.8 million (previous year: € 7.1 million) or in the amount of earnings of € 6.8 million (previous year: € 7.1 million).

#### 46.3. Interest rate risks

STADA is subject to interest risks from financial assets as well as financial debts, primarily in the Euro zone and Russia.

In order to minimize the effects of significant interest rate fluctuations, STADA manages the interest rate risk, to the extent possible, for the financial liabilities denominated in euro with hedging transactions. In financial year 2015, to hedge the interest rate risk, there were cash flow hedges in the form of interest-rate swaps. Taking into account these hedging transactions, an average of 85% (previous year: 85%) of financial liabilities denominated in euro and 100% (previous year: 41%) of those denominated in ruble had fixed interest rates in 2015.

STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity. The following factors are generally included in the calculation:

- changes in the market interest rate of interest rate derivatives designated as hedging instruments in the context of cash flow hedges,

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Risk management, derivative financial instruments and disclosures on capital management (Continued)

- changes in the market interest rate of original financial liabilities with variable interest rates that are not hedged against interest rate risks, and
- changes in the market interest rate of interest rate derivatives not part of a hedging relationship.

in € million	Dec. 31, 2015	Dec. 31, 2014
Income (+)/expense (–) from an increase in the market interest rate level of 100 basis points . . . . .	– 0.7	– 0.5
Income (+)/expense (–) from a decrease in the market interest rate level of 100 basis points . . . . .	– 0.7	+ 0.4
Equity increase (+)/equity reduction (–) from an increase in the market interest rate level of 100 basis points . . . . .	+ 0.3	+ 1.0
Equity increase (+)/equity reduction (–) from a decrease in the market interest rate level of 100 basis points . . . . .	– 0.3	– 1.0

#### 46.4. Default risks

In addition, STADA may be exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations.

To avoid default risks in financing activities respective credit management processes are in place and such transactions are generally only concluded with counterparties of impeccable financial standing.

Risks of default exist as a result of the supply of goods and services. In addition, there is the risk that in a difficult economic and financial environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

STADA therefore strives to maintain business relations only with business partners of impeccable financial standing and in addition, partly uses suitable measures to safeguard itself against default risk, such as guarantees, letters of credit, credit insurance or the transfer of assets. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors, and

therefore burdens from one-time special effects, arise to a significant extent. Past due receivables in the operating area are continuously monitored and potential default risks are anticipated through the creation of valuation adjustments.

The supply of goods and services to international wholesalers is subject to special monitoring. Concentrations of risk are assumed if debtors exceed a particular credit volume, for which no securities were transferred. As of the balance sheet date, however, there are no significant concentrations of risks at STADA.

STADA's maximum credit default risk is calculated from the carrying amounts of the financial assets recognized. In addition, STADA granted guarantees, which amounted to a total nominal volume of € 25.3 million (previous year: € 25.3 million) as of the balance sheet date (see Note 43.). STADA has various forms of collateral for credit securities such as mortgages, bank or corporate guarantees, assignments of receivables and pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

#### 46.5. Liquidity risks

The Group's liquidity was guaranteed at all times in financial year 2015. In the context of continuous liquidity planning, the cash flows of all companies are regularly monitored. In order to secure the financial flexibility and financial security of STADA, a liquidity reserve in the form of cash is held and supplemented by free credit lines. For this purpose, STADA regularly concludes bilateral credit contracts for a period of at least 12 months with various banks. The refinancing of the financial liabilities is consequently monitored in the context of continuous liquidity planning.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Risk management, derivative financial instruments and disclosures on capital management (Continued)

#### 46.6. Other price risks

In the context of a hypothetical risk assessment, there are also other price change risks related to market prices. However, as of the balance sheet date, STADA does not recognize available-for-sale financial assets, whose fair values are determined based on market prices, anymore.

#### 46.7. Derivative financial instruments and hedging instruments

STADA counters risks from fluctuations in cash flow with derivative financial instruments, which are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In financial year 2015, there are cash flow hedges exclusively in the form of payer interest rate swaps. Here, variable interest payments are transformed into fixed interest payments and the cash flow risk of variable interest liabilities is thus hedged. In the context of these hedging relationships, interest rate related cash flow changes of the hedged items are netted with cash flow changes of interest rate swaps.

In financial year 2015, no new payer interest-rate swaps were designated as cash flow hedges in order to secure interest payments from promissory note loans.

The total volume of currency and interest rate related derivatives is comprised as follows:

in € 000s	Dec. 31, 2015		Dec. 31, 2014	
	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives without hedging relationship</b>				
Interest rate/currency swaps . . . . .	69,337	21,015	86,346	32,048
Currency swaps . . . . .	151,540	3,109	17,335	744
<b>Derivatives with hedging relationship</b>				
Interest rate swaps . . . . .	66,500	– 1,273	117,000	– 2,666
thereof				
• fixed rate payer . . . . .	66,500	– 1,273	117,000	– 2,666
• fixed rate recipient . . . . .	—	—	—	—
<b>Total . . . . .</b>	<b>287,377</b>	<b>22,851</b>	<b>220,681</b>	<b>30,126</b>

The terms of the cash flow hedges existing as of the balance sheet date end in 2016.

All hedges are assumed to be highly effective as the important features are nearly identical (critical terms match). As of the balance sheet date, all of the hedging relationships presented above were effective. All changes in the fair value of the derivative hedging instruments were therefore recognized directly in equity under “Provisions for cash flow hedges”. In financial year 2015, the resulting earnings amounted to € 1.1 million after consideration of deferred taxes (previous year: € 1.5 million).

#### 46.8. Disclosures on capital management

The objectives of the STADA capital management are the safeguarding of the business operation, the creation of a solid equity base for financing profitable growth as well as guaranteeing attractive dividend payments and the capital service. The STADA capital management consistently aims for the Group companies to have an equity basis that corresponds to the local requirements. When implementing and checking the Group’s capital and liquidity the legal requirements are taken into account.

Capital is monitored on the basis of net debt, which results from current and non-current financial liabilities minus cash and cash equivalents as well as available-for-sale securities. An important key figure for capital management at STADA is the net debt to adjusted EBITDA ratio, which amounted to 3.1 in financial year 2015 (previous year: 3.1).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Risk management, derivative financial instruments and disclosures on capital management (Continued)

In this connection, the net debt and net debt to adjusted EBITDA ratio were as follows:

in € 000s	Dec. 31, 2015	Dec. 31, 2014
Non-current financial liabilities . . . . .	1,084,213	1,042,998
Current financial liabilities . . . . .	274,672	448,703
<b>Gross debt . . . . .</b>	<b>1,358,885</b>	<b>1,491,701</b>
Cash, cash equivalents and available-for-sale securities . . . . .	143,178	164,238
<b>Net debt . . . . .</b>	<b>1,215,707</b>	<b>1,327,463</b>
<b>EBITDA (adjusted) . . . . .</b>	<b>389,385</b>	<b>431,888</b>
<b>Net debt to adjusted EBITDA ratio . . . . .</b>	<b>3.1</b>	<b>3.1</b>

### 47. Related party transactions

In the scope of the ordinary course of business, STADA Arzneimittel AG and/or its consolidated companies have entered into related party transactions. In accordance with IAS 24, “related parties” refers to directly or indirectly controlled subsidiaries that are not consolidated due to lack of material significance, associates and joint ventures as well as persons in key positions and their close relatives. In principle, all trades are settled with related companies and natural persons at market-rate conditions.

#### 47.1. Transactions with related persons

Persons in key positions are the board members of STADA Arzneimittel AG, the remuneration of whom, including further information on the principles of the remuneration system, is presented in detail in the Management Report (see “Remuneration Report”), as well as the summary in Note 47. in relation to quantitative disclosures.

In the course of their normal professional activities, individual members of the Supervisory and Advisory Boards who are self-employed have business relations with STADA. These are not significant as regards volume and nature.

In financial year 2015, Steffen Retzlaff, the son of the Chairman of the Executive Board, Hartmut Retzlaff, was active as Managing Director of Hemopharm GmbH Pharmazeutisches Unternehmen, STADAvita GmbH, PharmaSwyzz Deutschland GmbH and STADA PHARMA Bulgaria EOOD, as member of the Board of Directors of STADA MENA DWC-LLC and STADA Pharmaceuticals (Asia) Ltd., as Chairman of the Administrative Board of STADA Aesthetics AG as well as Vice President of the market region Asia/Pacific & MENA of the STADA Group.

#### 47.2. Transactions with related companies

in € 000s	Dec. 31, 2015	Dec. 31, 2014
<b>Trade accounts receivable</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	372	44
Associates . . . . .	202	309
Joint ventures . . . . .	—	—
Other investors . . . . .	745	739
<b>Trade accounts payable</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	113	62
Associates . . . . .	1	547
Joint ventures . . . . .	—	—
Other investors . . . . .	—	—



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Related party transactions (Continued)

Expenses and income essentially relate to related party transactions as follows:

in € 000s	2015	2014
<b>Sales</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	—	—
Associates . . . . .	62	—
Joint ventures . . . . .	—	—
Other investors . . . . .	1,575	1,427
<b>Interest income</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	3	64
Associates . . . . .	8	447
Joint ventures . . . . .	—	—
Other investors . . . . .	—	—
<b>Interest expense</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	—	—
Associates . . . . .	1	—
Joint ventures . . . . .	—	—
Other investors . . . . .	—	—

In addition, the following disclosures on related party transactions are made:

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and which was not utilized as of December 31, 2015 (previous year: € 3.3 million).

There is a service contract with BIOCEUTICALS Arzneimittel AG, as well as distribution rights for Epo-zeta in Germany granted by BIOCEUTICALS Arzneimittel AG to, among others, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH. In some other European countries (such as Serbia or Russia, for example), a local STADA-owned subsidiary can receive or has already received at the same time a local sales license as well.

Furthermore, STADA also has business relations with its fellow partner of the Chinese subsidiary STADA Import/Export International Ltd. As of the balance sheet date, outstanding loan liabilities in the amount of € 0.6 million resulted from this business relationship.

### 48. Remuneration of the Executive Board and the Supervisory Board

The aggregate remuneration of the Executive Board and the Supervisory Board including further information on the principles of the remuneration system are presented in detail in the Management Report (see “Remuneration Report”).

In summary, the following disclosures regarding the remuneration of the Executive Board and Supervisory Board at STADA Arzneimittel AG are made according to IAS 24 in consideration of the disclosure requirements of Section 314 (1) no. 6a sentence 1-4 of the German Commercial Code:

in € 000s	Fixed and variable current remuneration		Expenses for pension commitments earned in the current year		Total remuneration in accordance with IFRS	
	2015	2014	2015	2014	2015	2014
Members of the Executive Board . . . . .	4,937 <sup>(1)</sup>	8,001 <sup>(2)</sup>	—	—17,603 <sup>(3)</sup>	4,937	—9,602
Members of the Supervisory Board . . . . .	1,073	1,045	—	—	1,073	1,045

(1) No progress payments on the variable long-term special remuneration were made for financial year 2015.

(2) Thereof final payments and payments on variable long-term special remuneration in the total amount of € 2,759,275 as a result of achieving the year-end and annual interim goals in the respective individual contracts for financial year 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Remuneration of the Executive Board and the Supervisory Board (Continued)

- (3) In the context of the changed plan and the resulting changes with regard to the benefits awarded according to the former benefit plan there were earnings from past service cost in the amount of € 17.6 million. In addition, an expense from administrative costs for the benefit plan in the amount of € 0.7 million and an expense from the adjustment of plan assets in the amount of € 1.0 million were incurred. The balance of the two items were earnings of € 15.9 million, which were recorded in general and administrative expenses.

Remuneration to former members of the Executive Board amounted to a total of € 297,000 in financial year 2015. The fair value of pension commitments for former Executive Board members amounted to € 11,669,000 as of December 31, 2015.

There were no loans granted to members of the Executive Board and Supervisory Board at STADA Arzneimittel AG as of the balance sheet date. Nor has STADA taken on any contingent liabilities for the benefit of the board members of STADA Arzneimittel AG.

### 49. Fees for the auditor

In financial year 2015, the following professional fees were recognized as expenses for services rendered by the auditor of the consolidated financial statements, PKF Deutschland GmbH:

in € 000s	2015	2014
Fees for the auditor . . . . .	506	475
• thereof for audits . . . . .	348	348
• thereof for other confirmation services . . . . .	142	92
• thereof for other services . . . . .	16	35

The fees for audits relate to payment for the audit of the consolidated financial statements as well as the audit of the financial statements of STADA Arzneimittel AG and its German subsidiaries, each at the end of the financial year.

Other confirmation services include the review of the interim consolidated financial statements of June 30 of the corresponding financial year, the granting of a comfort letter in the context of issuing the corporate bond as well the examination whether certain obligations arising from EU Regulation No. 648/2012 have been met.

### 50. Corporate governance

The declaration on the German Corporate Governance Code prescribed by Section 161 of the German Stock Corporation Act (AktG) was last issued by the Executive Board and Supervisory Board on October 8, 2015. The declaration is publicly available via the Company's website ([www.stada.de](http://www.stada.de) in German or [www.stada.com](http://www.stada.com) in English) and is also presented in the Annual Report.

### 51. Events after balance sheet date

No material events have occurred since the reporting date that could have a significant effect on the business, financial and earnings situation of the STADA Group.

### 52. Dividend

According to the German Stock Corporation Act, the distributable dividend is determined according to the distributable profit reported by STADA Arzneimittel AG in its annual financial statements prepared in accordance with the rules and regulations of the German Commercial Code. This amounted to € 59,139,388.83 as of December 31, 2015. The Executive Board of STADA Arzneimittel AG proposes that a dividend of € 0.70 per STADA share be appropriated from this distributable profit for financial year

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 52. Dividend (Continued)

2015. In financial year 2015, a dividend in the amount of € 0.66 per STADA share was distributed to shareholders from the distributable profit of financial year 2014.

Bad Vilbel, March 21, 2016



H. Retzlaff  
Chairman  
of the Executive Board



H. Kraft  
Chief Financial Officer



Dr. M. Wiedenfels  
Chief Business Development &  
Central Services Officer

## RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, the consolidated financial statements give a true and fair view of the business, financial position and results of operations and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 21, 2016



H. Retzlaff  
Chairman



H. Kraft  
Chief Financial Officer



Dr. M. Wiedenfels  
Chief Business Development &  
Central Services Officer

## AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by STADA Arzneimittel Aktiengesellschaft, Bad Vilbel, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt, March 21, 2016

PKF Deutschland GmbH  
Wirtschaftsprüfungsgesellschaft



Annika Fröde  
German Public Accountant



Santosh Varughese  
German Public Accountant



## **STADA CONSOLIDATED FINANCIAL STATEMENTS 2014**

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## CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement  
for the period from Jan. 1 to Dec. 31 in € 000s

	2014	Previous year <sup>(1)</sup>	Note
Sales . . . . .	2,062,247	2,003,912	11.
Cost of sales . . . . .	1,070,441	1,024,475	12.
<b>Gross profit</b> . . . . .	<b>991,806</b>	<b>979,437</b>	
Selling expenses . . . . .	458,381	488,162	13.
General and administrative expenses . . . . .	152,817	159,537	14.
Research and development expenses . . . . .	56,905	55,473	15.
Other income . . . . .	20,067	53,754	16.
Other expenses . . . . .	155,243	72,629	17.
Expenses in connection with the “STADA—build the future” project . . . . .	—	9,064	18.
<b>Operating profit</b> . . . . .	<b>188,527</b>	<b>248,326</b>	
Result from investments measured at equity . . . . .	1,595	3,700	
Investment income . . . . .	132	340	
Financial income . . . . .	4,833	6,865	
Financial expenses . . . . .	70,393	69,930	
<b>Financial result</b> . . . . .	<b>– 63,833</b>	<b>– 59,025</b>	19.
<b>Earnings before taxes</b> . . . . .	<b>124,694</b>	<b>189,301</b>	
Income taxes . . . . .	54,586	66,490	20.
<b>Earnings after taxes</b> . . . . .	<b>70,108</b>	<b>122,811</b>	
<i>thereof</i>			
• distributable to shareholders of STADA Arzneimittel AG (net income) . . . . .	64,562	121,426	
• distributable to non-controlling shareholders . . . . .	5,546	1,385	21.
Earnings per share in €(basic) . . . . .	1.07	2.04	22.
Earnings per share in €(diluted) . . . . .	1.05	2.00	22.

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income in € 000s	2014	Previous year	Note
<b>Earnings after taxes</b> . . . . .	<b>70,108</b>	<b>122,811</b>	
<b>Items to be recycled to the income statement in future:</b>			
<b>Currency translation gains and losses</b> . . . . .	<b>– 125,206</b>	<b>– 61,366</b>	35.
<i>thereof</i>			
• income taxes . . . . .	1,613	779	
<b>Gains and losses on available-for-sale financial assets</b> . . . . .	<b>0</b>	<b>– 1</b>	46.
<i>thereof</i>			
• income taxes . . . . .	0	0	
<b>Gains and losses on hedging instruments (cash flow hedges)</b> . . . . .	<b>1,519</b>	<b>2,349</b>	46.
<i>thereof</i>			
• income taxes . . . . .	– 563	– 899	
<b>Items not to be recycled to the income statement in future:</b>			
<b>Remeasurements of the net defined benefit liability</b> . . . . .	<b>– 15,617</b>	<b>1,900</b>	36.
<i>thereof</i>			
• income taxes . . . . .	5,294	– 820	
<b>Other comprehensive income</b> . . . . .	<b>– 139,304</b>	<b>– 57,118</b>	
<b>Consolidated comprehensive income</b> . . . . .	<b>– 69,196</b>	<b>65,693</b>	
<i>thereof</i>			
• distributable to shareholders of STADA Arzneimittel AG . . . . .	– 81,555	66,329	
• distributable to non-controlling shareholders . . . . .	12,359	– 636	

## CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as of Dec. 31 in € 000s	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013 <sup>(1)</sup>	Note
<b>Assets</b>				
<b>Non-current assets</b>	<b>2,013,819</b>	<b>2,059,989</b>	<b>1,806,292</b>	
Intangible assets	1,631,516	1,641,623	1,417,050	25.
Property, plant and equipment	305,430	318,428	269,361	26.
Financial assets	2,036	8,991	12,463	27.
Investments measured at equity	10,569	8,974	44,042	28.
Other financial assets	11,729	27,785	16,158	30.
Other assets	3,130	3,570	1,165	31.
Deferred tax assets	49,409	50,618	46,053	20.
<b>Current assets</b>	<b>1,321,639</b>	<b>1,353,193</b>	<b>1,169,679</b>	
Inventories	498,785	524,374	466,496	32.
Trade accounts receivable	502,794	591,678	489,567	29.
Income tax receivables	30,711	24,836	31,209	20.
Other financial assets	86,943	50,096	36,919	30.
Other assets	37,866	34,475	50,879	31.
Non-current assets and disposal groups held for sale	331	1,571	2,076	33.
Cash and cash equivalents	164,209	126,163	92,533	34.
<b>Total assets</b>	<b>3,335,458</b>	<b>3,413,182</b>	<b>2,975,971</b>	
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>903,339</b>	<b>1,010,099</b>	<b>910,317</b>	35.
Share capital	157,629	157,151	154,264	
Capital reserve	490,401	487,843	472,459	
Retained earnings including net income	561,376	552,663	458,924	
Other provisions	– 371,851	– 241,497	– 184,467	
Treasury shares	– 1,504	– 1,542	– 1,572	
<b>Equity attributable to shareholders of the parent</b>	<b>836,051</b>	<b>954,618</b>	<b>899,608</b>	
Shares relating to non-controlling shareholders	67,288	55,481	10,709	
<b>Non-current borrowed capital</b>	<b>1,246,693</b>	<b>1,358,414</b>	<b>1,102,404</b>	
Other non-current provisions	30,097	51,478	50,486	36.
Financial liabilities	1,042,998	1,140,571	941,572	37.
Other financial liabilities	5,259	12,988	24,528	39.
Other liabilities	1,640	2,937	3,054	40.
Deferred tax liabilities	166,699	150,440	82,764	20.
<b>Current borrowed capital</b>	<b>1,185,426</b>	<b>1,044,669</b>	<b>963,250</b>	
Other provisions	17,442	17,536	10,538	41.
Financial liabilities	448,703	292,484	326,183	37.
Trade accounts payable	340,847	331,661	267,773	38.
Income tax liabilities	33,726	30,569	25,633	20.
Other financial liabilities	257,403	261,067	219,519	39.
Other liabilities	87,305	111,352	113,604	40.
<b>Total equity and liabilities</b>	<b>3,335,458</b>	<b>3,413,182</b>	<b>2,975,971</b>	

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement in € 000s	Dec. 31, 2014	Dec. 31, 2013 <sup>(1)</sup>	Note
Net income . . . . .	70,108	122,811	
Depreciation and amortization net of write-ups of non-current assets . . . . .	228,521	130,193	24.
Income taxes . . . . .	54,586	66,490	20.
Interest income and expenses . . . . .	69,151	66,446	19.
Result from associates . . . . .	– 1,595	– 3,700	19.
Result from the disposals of non-current assets . . . . .	– 43	521	17.
Additions to/reversals of other non-current provisions . . . . .	– 17,039	4,337	36.
Currency translation income and expenses . . . . .	29,415	16,535	16.
Other non-cash expenses and gains . . . . .	214,001	182,319	19.
<b>Gross cash flow . . . . .</b>	<b>647,105</b>	<b>585,952</b>	
Changes in inventories . . . . .	– 57,959	– 55,723	32.
Changes in trade accounts receivable . . . . .	629	– 72,611	29.
Changes in trade accounts payable . . . . .	– 18,339	48,160	38.
Changes in other net assets, unless attributable to investing or financing activities . . . . .	– 237,705	– 169,720	
Interest and dividends received . . . . .	4,709	6,390	
Interest paid . . . . .	– 66,275	– 65,717	
Income tax paid . . . . .	– 48,355	– 72,987	
<b>Cash flow from operating activities . . . . .</b>	<b>223,810</b>	<b>203,744</b>	42.
Payments for investments in			
• intangible assets . . . . .	– 181,397	– 52,976	25.
• property, plant and equipment . . . . .	– 37,453	– 33,895	26.
• financial assets . . . . .	– 65	– 709	27.
• shares in consolidated companies . . . . .	—	—	
• business combinations according to IFRS 3 . . . . .	– 55,054	– 229,754	8./42.
Proceeds from the disposal of			
• intangible assets . . . . .	8,007	3,416	25.
• property, plant and equipment . . . . .	3,953	1,481	26.
• financial assets . . . . .	29	455	27.
• shares in consolidated companies . . . . .	—	—	
<b>Cash flow from investing activities . . . . .</b>	<b>– 261,980</b>	<b>– 311,982</b>	42.
Borrowing of funds . . . . .	734,224	930,421	37.
Settlement of financial liabilities . . . . .	– 612,098	– 770,302	37.
Dividend distribution . . . . .	– 42,495	– 31,177	35.
Capital increase from share options . . . . .	3,029	18,264	35.
Changes in non-controlling interests . . . . .	1,006	1,537	35.
Changes in treasury shares . . . . .	45	37	35.
<b>Cash flow from financing activities . . . . .</b>	<b>83,711</b>	<b>148,780</b>	42.
<b>Changes in cash and cash equivalents . . . . .</b>	<b>45,541</b>	<b>40,542</b>	
Changes in cash and cash equivalents due to Group composition . .	2,116	– 123	
Changes in cash and cash equivalents due to exchange rates . . . . .	– 9,611	– 6,789	
<b>Net change in cash and cash equivalents . . . . .</b>	<b>38,046</b>	<b>33,630</b>	
<b>Balance at beginning of the period . . . . .</b>	<b>126,163</b>	<b>92,533</b>	
<b>Balance at end of the period . . . . .</b>	<b>164,209</b>	<b>126,163</b>	

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).



# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of Changes in Shareholders' Equity in € 000s 2014	Number of shares	Share capital	Capital reserve	Retained earnings including net income	Provisions for currency translation	Provisions available for sale	Provisions for cash flow hedges	Treasury shares	Equity attributable to shareholders of the parent	Shares relating to non-controlling interests	Group equity
<b>Balance as of Dec. 31, 2014</b> . . . .	<b>60,626,700</b>	<b>157,629</b>	<b>490,401</b>	<b>561,376</b>	<b>-369,906</b>	<b>22</b>	<b>-1,967</b>	<b>-1,504</b>	<b>836,051</b>	<b>67,288</b>	<b>903,339</b>
Dividend distribution . . . . .				-39,832					-39,832	-2,663	-42,495
Capital increase from share options . . . . .	184,200	478	2,551						3,029		3,029
Changes in treasury shares . . . . .			7					38	45		45
Changes in retained earnings . . .									—		—
Changes in non-controlling interests . . . . .											
Changes in the scope of consolidation . . . . .									—	2,111	2,111
Other income . . . . .				-254					-254		-254
Net income . . . . .				-15,763	-131,860	-13	1,519		-146,117	6,813	-139,304
				64,562					64,562	5,546	70,108
<b>Balance as of Jan. 1, 2014</b> . . . .	<b>60,442,500</b>	<b>157,151</b>	<b>487,843</b>	<b>552,663</b>	<b>-238,046</b>	<b>35</b>	<b>-3,486</b>	<b>-1,542</b>	<b>954,618</b>	<b>55,481</b>	<b>1,010,099</b>
<b>Previous year</b>											
<b>Balance as of Dec. 31, 2013</b> . . . .	<b>60,442,500</b>	<b>157,151</b>	<b>487,843</b>	<b>552,663</b>	<b>-238,046</b>	<b>35</b>	<b>-3,486</b>	<b>-1,542</b>	<b>954,618</b>	<b>55,481</b>	<b>1,010,099</b>
Dividend distribution . . . . .				-29,620					-29,620	-1,557	-31,177
Capital increase from share options . . . . .	1,110,240	2,887	15,377						18,264		18,264
Changes in treasury shares . . . . .			7					30	37		37
Changes in retained earnings . . .									—		—
Changes in non-controlling interests . . . . .									—	46,965	46,965
Changes in the scope of consolidation . . . . .									—		—
Other income . . . . .				1,933	-59,374	-5	2,349		-55,097	-2,021	-57,118
Net income . . . . .				121,426					121,426	1,385	122,811
<b>Balance as of Jan. 1, 2013</b> . . . .	<b>59,332,260</b>	<b>154,264</b>	<b>472,459</b>	<b>458,924</b>	<b>-178,672</b>	<b>40</b>	<b>-5,835</b>	<b>-1,572</b>	<b>899,608</b>	<b>10,709</b>	<b>910,317</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### General Information

#### 1. Corporate information

STADA Arzneimittel Aktiengesellschaft (STADA Arzneimittel AG) as parent company of the STADA Group (hereafter referred to as “STADA”), based in Stadastrasse 2-18, 61118 Bad Vilbel, is an internationally oriented company based in Germany, which is active worldwide in the health care and pharmaceuticals market, especially in the core segments of Generics and Branded Products.

The consolidated financial statements of STADA Arzneimittel AG for financial year 2014 were approved for publication by the Executive Board on March 23, 2015.

#### 2. Basis of preparation

The consolidated financial statements prepared for STADA Arzneimittel AG as parent company as of December 31, 2014, were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC), as applicable in the European Union (EU), as well as in accordance with the supplementary provisions pursuant to Section 315a (1) of the German Commercial Code (HGB).

The financial year corresponds to the calendar year. The individual financial statements of the companies included in the scope of consolidation are prepared as of the same date as the consolidated financial statements.

The structure of the consolidated income statement follows the cost-of-sales method, according to which expenses incurred in generating sales are divided into functional areas. In the statement of comprehensive income, use was made of the option to present this separately from the consolidated income statement. The balance sheet classification distinguishes between non-current and current assets and liabilities, some of which are presented in detail in the notes according to their maturities.

The consolidated financial statements are prepared in euro. Unless otherwise indicated, figures in the notes are shown in euro thousands (€ 000s). Rounding is thus necessary, although this of course is not significant in its nature.

#### 3. Consequences of new or amended standards and interpretations

In financial year 2014, STADA observed and, if relevant applied the following pronouncements or amendments to pronouncements published by the IASB and endorsed by the EU which were first applicable in financial year 2014, which had no or no significant effect on the presentation of STADA's business, financial, earnings situation or cash flow:

- **IAS 32 “Financial Instruments: Presentation”:**

The amendment clarifies requirements for the netting of financial assets and financial liabilities on the balance sheet. The right to netting on the balance sheet must exist as of the balance sheet date.

- **IAS 36 “Impairment of Assets”:**

The amendment contains a clarification that the reporting of a recoverable amount is only required of those cash-generating units for which an impairment loss or reversal has been recognized within the current reporting period.

- **IAS 39 “Financial Instruments: Recognition and Measurement”:**

In order to improve the transparency and regulatory supervision of OTC derivatives, companies are, in certain circumstances, required to clear derivatives to central counterparties. Despite novation, derivatives can remain designated as hedging instruments under certain conditions.

- **IFRIC 21 “Levies”:**

The standard concerns the question of the accounting of public levies which do not represent income tax in the sense of IAS 12 and clarifies when the obligation to pay such levies should be recognized as a liability in the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Consequences of new or amended standards and interpretations (Continued)

In May 2011, the IASB adopted the new standards IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”. IFRS 10 replaces the consolidation requirements of the former IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation—Special Purpose Entities” and introduces a uniform consolidation model for all subsidiaries. IFRS 11 governs the accounting for joint operations and joint ventures and thus replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Venturers”. The former option to proportionately consolidate joint ventures is eliminated in favor of mandatory application of the equity method. In the context of IFRS 12, disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated special purpose entities are combined, expanded and replaced. The new regulations, which were adopted in European law in 2012, are applicable in the EU to financial years beginning on or after January 1, 2014. In June 2012, IASB published transition guidance adopted into European law in April 2013 (amendments to IFRS 10, IFRS 11 and IFRS 12) for the standards adopted in May 2011 of IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”. In the context of these amendments, the transition guidance in IFRS 10 was clarified and additional simplification was ensured in all three standards. The significant change here results from IFRS 11 “Joint Arrangements”. Joint ventures, which have been proportionately consolidated to date, are to be accounted for using the equity method as of financial year 2014, as well as retrospectively in the context of adjusting previous year figures. The proportionate share of assets and liabilities of these companies will thereby no longer be included in the consolidated balance sheet and the proportionate share of aggregated earnings of these units will be disclosed under one item within the income statement, whereas a disclosure was to be made under the relevant income and expense items in accordance with currently valid regulations.

For STADA, the initial application of the new standards has resulted in retroactively applicable changes in relation to the consolidation of joint ventures in accordance with IFRS 11. Up until the time of its change in status to subsidiary in the past financial year, STADA Vietnam, previously consolidated on a pro rata basis, was included in STADA’s consolidated financial statements retroactively according to the equity method up until the time control was acquired by STADA in accordance with IFRS 11 in connection with IAS 8 and in connection with IAS 1. As a result of the consolidation of this company as a subsidiary in the context of the control achieved over STADA Vietnam as of the fourth quarter of 2013, there were no more joint ventures within the scope of consolidation of STADA as of December 31, 2013. As a result, there have been no effects for STADA in financial year 2014 as a result of this changed accounting policy.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Consequences of new or amended standards and interpretations (Continued)

In the context of the retrospective adjustments carried out in accordance with the new standard IFRS 11 in connection with IAS 8 as well as in connection with IAS 1, balance sheet items changed as of January 1, 2013 as follows:

Consolidated Balance Sheet (abridged) in € 000s	Jan. 1, 2013	Adjustments in accordance with new IFRS 11	Jan. 1, 2013 adjusted
<b>Non-current assets</b> . . . . .	<b>1,802,176</b>	<b>4,116</b>	<b>1,806,292</b>
Intangible assets . . . . .	1,417,083	– 33	1,417,050
Property, plant and equipment . . . . .	273,822	– 4,461	269,361
Investments measured at equity . . . . .	34,885	9,157	44,042
Other non-current assets . . . . .	76,386	– 547	75,839
<b>Current assets</b> . . . . .	<b>1,180,645</b>	<b>– 10,966</b>	<b>1,169,679</b>
Inventories . . . . .	475,311	– 8,815	466,496
Trade accounts receivable . . . . .	492,143	– 2,576	489,567
Other current assets . . . . .	120,461	622	121,083
Cash and cash equivalents . . . . .	92,730	– 197	92,533
<b>Total assets</b> . . . . .	<b>2,982,821</b>	<b>– 6,850</b>	<b>2,975,971</b>
<b>Equity and liabilities</b> . . . . .	<b>910,317</b>	<b>—</b>	<b>910,317</b>
<b>Non-current borrowed capital</b> . . . . .	<b>1,102,911</b>	<b>– 507</b>	<b>1,102,404</b>
Financial liabilities . . . . .	941,572	—	941,572
Other non-current borrowed capital . . . . .	161,339	– 507	160,832
<b>Current borrowed capital</b> . . . . .	<b>969,593</b>	<b>– 6,343</b>	<b>963,250</b>
Financial liabilities . . . . .	328,519	– 2,336	326,183
Trade accounts payable . . . . .	268,973	– 1,200	267,773
Other current borrowed capital . . . . .	372,101	– 2,807	369,294
<b>Total equity and liabilities</b> . . . . .	<b>2,982,821</b>	<b>– 6,850</b>	<b>2,975,971</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Consequences of new or amended standards and interpretations (Continued)

Due to the retrospective adjustments, the following changes resulted for the income statement in financial year 2013:

Consolidated Income Statement for the period from Jan. 1 to Dec. 31 in € 000s	2013	Adjustment in accordance with a change in methodology and amended standard IFRS 11	2013 adjusted
Sales . . . . .	2,014,411	– 10,499	2,003,912
Cost of sales . . . . .	1,030,152	– 5,677	1,024,475
<b>Gross profit</b> . . . . .	<b>984,259</b>	<b>– 4,822</b>	<b>979,437</b>
Selling expenses . . . . .	488,772	– 610	488,162
General and administrative expenses . . . . .	160,005	– 468	159,537
Research and development expenses . . . . .	55,700	– 227	55,473
Other income . . . . .	53,644	110	53,754
Other expenses . . . . .	72,813	– 184	72,629
Expenses in connection with the “STADA—build the future” project . . . . .	9,064	—	9,064
<b>Operating profit</b> . . . . .	<b>251,549</b>	<b>– 3,223</b>	<b>248,326</b>
Result from investments measured at equity . . . . .	771	2,929	3,700
Investment income . . . . .	340	—	340
Financial income . . . . .	6,845	20	6,865
Financial expenses . . . . .	70,079	– 149	69,930
<b>Financial result</b> . . . . .	<b>– 62,123</b>	<b>3,098</b>	<b>– 59,025</b>
<b>Earnings before taxes</b> . . . . .	<b>189,426</b>	<b>– 125</b>	<b>189,301</b>
Taxes on income . . . . .	66,615	– 125	66,490
<b>Earnings after taxes</b> . . . . .	<b>122,811</b>	<b>—</b>	<b>122,811</b>
<i>thereof</i>			
• distributable to shareholders of STADA Arzneimittel AG (net income) . . . . .	121,426	—	121,426
• distributable to non-controlling shareholders . . . . .	1,385	—	1,385
Earnings per share in € (basic) . . . . .	2.04	—	2.04
Earnings per share in € (diluted) . . . . .	2.00	—	2.00

In addition, STADA did not apply a number of further pronouncements and amendments to pronouncements that were adopted by the IASB, the application of which, however, was not mandatory in financial year 2014.

In May 2014, IASB published the new standard IFRS 15 “Revenue from Contracts with Customers”. IFRS 15 governs the revenue recognition for contracts with customers in a 5-step model and in particular replaces the existing standards IAS 11 “Construction Contracts” and IAS 18 “Revenue”. IFRS 15 is to be applied for financial years beginning on or after January 1, 2017. The adoption into European law is still pending. The impact of the new standard for revenue recognition on the business, financial and earnings situation is still currently under review.

From today’s perspective no or no significant effects on the consolidated financial statements are expected from the future application of the further standards and interpretations not yet applied.

### 4. Changes in accounting policies

With the exception of the changed accounting policies listed in Note 3, there were no changes to accounting policies with significant consequences for the presentation of STADA’s business, financial and earnings situation or cash flow in financial year 2014.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation

All significant subsidiaries, joint ventures and associated companies are included in the consolidated financial statements. Subsidiaries are companies that are directly or indirectly controlled by STADA and are therefore fully consolidated. Control exists if STADA Arzneimittel AG or its subsidiaries are in control of an investee, are exposed to variable backflows and, due to control over existing rights, are able to substantially influence the investee's variable backflows. Control is usually substantiated by a share of voting rights of more than 50%.

Joint arrangements are characterized by joint control by two or more parties and should be classified as either joint operations or as joint ventures. In joint operations, the parties that exercise joint control possess the rights to assets and liabilities included in the agreement. In joint ventures, however, the parties involved possess rights to the company's net assets. Joint ventures are to be included in the consolidated financial statements using the equity method.

As a result of changing the status of the company STADA Vietnam J.V. Co., Ltd., which was previously consolidated as a joint venture and as a result of the deconsolidation of STADA Import/Export in financial year 2013, there were no longer any joint ventures in STADA's scope of consolidation. The consolidation of STADA Vietnam J.V. Co., Ltd. is carried out regardless of their capital share of 50% as a subsidiary due to the fact that STADA controls this company on the basis of agreements in accordance with corporate law.

Associated companies are companies over which STADA is able to exercise significant influence and are not subsidiaries or joint ventures. They are included in the consolidated financial statements in accordance with the equity method.

Subsidiaries, joint ventures and associated companies whose influence, both individually and as a whole, on the business, financial and earnings situation of the STADA Group is insignificant, are not consolidated or accounted for using the equity method. Investments in these companies are accounted for either at fair value or at amortized cost under financial assets. Accumulated, the sales and balance sheet total of these companies make up less than 1% of total Group sales and the balance sheet total.

Changes in the scope of consolidation resulted regarding the number of subsidiaries, joint ventures and associated companies included in financial year 2014 and are as follows:

<u>Number of companies in the scope of consolidation</u>	<u>Germany</u>	<u>outside</u>	<u>Total</u>
<b>January 1, 2014</b> . . . . .	<b>12</b>	<b>65</b>	<b>77</b>
Acquisitions . . . . .	—	3	3
Disposals . . . . .	—	1	1
<b>December 31, 2014</b> . . . . .	<b>12</b>	<b>67</b>	<b>79</b>

Changes in the scope of consolidation as of December 31, 2014 as compared to December 31, 2013 resulted from the merger of the consolidated subsidiary S.A. Neocare N.V., Brussels, Belgium, with S.A. Eurogenerics N.V., Brussels, Belgium, also a consolidated subsidiary, in the second quarter of 2014.

This did not have any effect on the Group's business, financial and earnings situation.

Furthermore, in the first quarter of 2014, the contract for the purchase of the Russian branded product portfolio Aqualor® was completed as planned. The Aqualor® product sales have been consolidated in the STADA Group since March 1, 2014. In this context, STADA's Russian subsidiary 000 Aqualor has also been included in the scope of consolidation of STADA Arzneimittel AG.

In addition, the Chinese subsidiary STADA Pharmaceuticals (Beijing) Ltd., Beijing, China, has been included in the scope of consolidation of STADA as of January 1, 2014.

These changes also did not have any significant effect on the Group's business, financial and earnings situation.

Furthermore, the British company Internis Pharmaceuticals Ltd., London, United Kingdom, which had been previously acquired, was included as a subsidiary in the scope of consolidation of STADA in the fourth quarter of 2014. For details on the impact of this merger on STADA's consolidated financial statements see Note 8.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

As in the previous year, the aforementioned chart includes BIOCEUTICALS Arzneimittel AG, which is included in the consolidated financial statements as an associated company according to the equity method. STADA holds 15.86% of the shares in this company. The significant influence is therefore not directly due to the amount of shares held, but instead is related in particular to the identity of part of the management personnel between BIOCEUTICALS Arzneimittel AG and STADA Arzneimittel AG. Details on the relationship between BIOCEUTICALS Arzneimittel AG and STADA are included in the Notes on related party disclosures (see Note 48.2.).

As in the previous year, the aforementioned chart also includes both French companies Pharm Ortho Pedic SAS and AELIA SAS, pursuant to shareholdings of 25.0% and 20.0% acquired by STADA, which are included in the consolidated financial statements as associated companies in accordance with the equity method. The following condensed financial information is given for these three associates:

<u>in € million</u>	<u>2014</u>	<u>2013</u>
Share of result from continuing operations . . . . .	1.6	0.8
Share of result from discontinued operations . . . . .	—	—
Share of other comprehensive income . . . . .	—	—
<b>Share of comprehensive income . . . . .</b>	<b>1.6</b>	<b>0.8</b>
<b>Aggregate carrying amount . . . . .</b>	<b>10.6</b>	<b>9.0</b>

As of December 31, 2014, there continued to be a guarantee on the part of STADA amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG, which are recognized under the equity method.

There are significant non-controlling interests in the Vietnamese subsidiaries Pymepharco Joint Stock Company and STADA Vietnam J.V. Co of the STADA Group.

In the following, the influence of other shareholders in these subsidiaries as of December 31, 2014 is presented:

<u>Name of subsidiary</u>	<u>Headquarters/ place of founding</u>	<u>Share in voting rights</u>	<u>Result of non-controlling interests in 2014 in € 000s</u>	<u>Accumulated non-controlling shares as of Dec. 31, 2014 in € 000s</u>
Pymepharco . . . . .	Vietnam	59.0%	1,570	24,730
STADA Vietnam . . . . .	Vietnam	50.0%	3,196	30,996

The disclosures for the previous year are as follows:

<u>Name of subsidiary</u>	<u>Headquarters/ place of founding</u>	<u>Share in voting rights</u>	<u>Result of non-controlling interests in 2013 in € 000s</u>	<u>Accumulated non-controlling shares as of Dec. 31, 2013 in € 000s</u>
Pymepharco . . . . .	Vietnam	59.0%	928	19,481
STADA Vietnam . . . . .	Vietnam	50.0%	— 45	26,226

In the following, the financial information of both subsidiaries as of December 31, 2014 and for financial year 2014 is summarized:

<u>in € 000s</u>	<u>Assets as of December 31, 2014</u>		<u>Liabilities as of December 31, 2014</u>	
	<u>non-current</u>	<u>current</u>	<u>non-current</u>	<u>current</u>
Pymepharco . . . . .	52,921	35,055	8,947	8,411
STADA Vietnam . . . . .	46,453	32,332	6,258	5,609

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

in € 000s	Sales	Earnings in 2014		Total earnings in 2014	Dividends to non-controlling interests in 2014
		Distributable to STADA	Distributable to non-controlling interests		
Pymepharco . . . . .	41,348	656	1,570	10,896	384
STADA Vietnam . . . . .	43,304	2,634	3,196	14,035	2,143

The result of Pymepharco and STADA Vietnam distributable to STADA contains impairments on goodwill which have been accounted for in accordance with the partial goodwill method in the context of achieving control.

For the previous year, the following disclosures are made regarding the summarized financial information:

in € 000s	Assets as of December 31, 2013		Liabilities as of December 31, 2013	
	non-current	current	non-current	current
Pymepharco . . . . .	48,922	28,838	8,754	12,029
STADA Vietnam . . . . .	43,813	26,750	5,756	7,636

in € 000s	Sales	Earnings in 2013		Total earnings in 2013	Dividends to non-controlling interests in 2013
		Distributable to STADA	Distributable to non-controlling interests		
Pymepharco . . . . .	42,769	1,335	928	– 982	265
STADA Vietnam . . . . .	10,218	– 45	– 45	– 1,769	—

For financial year 2013, disclosures for the company STADA Vietnam are given, each first beginning with its consolidation in the fourth quarter of 2013, which took place in to the context of STADA achieving control. Until the time of its change in status to a subsidiary in the past financial year, STADA Vietnam, previously proportionately consolidated as a joint venture, was included in STADA's consolidated financial statements retroactively according to the equity method until the time that control was achieved by STADA in accordance with IFRS 11 in connection with IAS 8 and IAS 1.

Subsidiaries, joint ventures and associated companies as well as all non-consolidated and other investments are included in the consolidated financial statements as investments and listed below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Direct investments of STADA Arzneimittel AG:

Name of the company, registered office	Share in capital	Form of consolidation
BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
BI0CEUT1CALs Arzneimittel AG, Bad Vilbel, Germany . . . . .	15.86%	associated company
Cicum Farma, Unipessoal, LDA, Paco de Arcos, Portugal . . . . .	100%	subsidiary
Grinos S.p.A., Milan, Italy . . . . .	96.77%	subsidiary
EG Labo - Laboratoires Eurogenerics SAS, Boulogne-Billancourt, France . . . . .	100%	subsidiary
EG S.p.A., Milan, Italy . . . . .	98.87%	subsidiary
Grunenthal Ukraine LLC, Kiev, Ukraine <sup>(1)</sup> . . . . .	100%	not included
Laboratorio STADA, S.L., Barcelona, Spain . . . . .	100%	subsidiary
Mobilat Produktions GmbH, Pfaffenhofen, Germany . . . . .	100%	subsidiary
AO Nizhpharm, Nizhny Novgorod, Russia . . . . .	100%	subsidiary
000 Hemofarm, Obninsk, Russia . . . . .	10%	subsidiary
000 STADA Marketing, Nizhny Novgorod, Russia . . . . .	10%	subsidiary
Oy STADA Pharma Ab, Helsinki, Finland . . . . .	100%	subsidiary
STADA Arzneimittel Gesellschaft m.b.H., Vienna, Austria . . . . .	100%	subsidiary
STADA d.o.o., Ljubljana, Slovenia . . . . .	100%	subsidiary
STADA d.o.o., Zagreb, Croatia . . . . .	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt . . . . .	75%	not included
STADA (Shanghai) Company Management Consulting Co. Ltd., Shanghai, China . . . . .	100%	not included
STADA GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA LUX S.à R.L., Luxembourg, Luxembourg . . . . .	100%	not included
STADA PHARMA Bulgaria EOOD, Sofia, Bulgaria . . . . .	100%	subsidiary
STADA PHARMA CZ, s.r.o., Prague, Czech Republic . . . . .	100%	subsidiary
STADA Pharma International GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA Pharma Services India Private Ltd., Mumbai, India . . . . .	85%	not included
STADA PHARMA Slovakia s.r.o., Bratislava, Slovakia . . . . .	100%	subsidiary
STADA Pharmaceuticals (Asia) Ltd., Hong Kong, China . . . . .	100%	subsidiary
STADA Pharmaceuticals Australia Pty Ltd., Sydney, Australia . . . . .	100%	not included
STADA Poland Sp. z o.o., Piaseczno, Poland . . . . .	100%	subsidiary
STADA Service Holding B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
STADapharm GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
STADA UK Holdings Ltd., Newbury, United Kingdom . . . . .	100%	subsidiary

(1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG through EG Labo - Laboratoires Eurogenerics SAS:

Name of the company, registered office	Share in capital	Form of consolidation
AELIA SAS, Saint Brieuc, France . . . . .	20%	associated company
Laboratoires d'études et de recherches en oligo éléments thérapie SA, Boulogne-Billancourt, France . . . . .	100%	subsidiary
Pharm Ortho Pedic SAS, Pellouailles Les Vignes, France . . . . .	25%	associated company

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Clonmel Healthcare Ltd., Clonmel, Ireland . . . . .	100%	subsidiary
Internis Pharmaceuticals Ltd., London, United Kingdom . . . . .	100%	subsidiary
Pegach AG, Egerkingen, Switzerland . . . . .	100%	subsidiary
Sundrops Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Thornton & Ross Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and Thornton & Ross Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
LCM Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary
Thornton & Ross Ireland Ltd., Dublin, Ireland . . . . .	100%	subsidiary
Zeroderma Ltd., Huddersfield, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through BEPHA Beteiligungsgesellschaft für Pharmawerte mbH:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
ALIUD PHARMA GmbH, Laichingen, Germany . . . . .	100%	subsidiary
cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, Bad Vilbel, Germany . . . . .	100%	subsidiary
Crinos S.p.A., Milan, Italy . . . . .	3.23%	subsidiary
Croma Medic, Inc., Manila, The Philippines . . . . .	100%	subsidiary
EG S.p.A., Milan, Italy . . . . .	1.13%	subsidiary
Grippostad GmbH, Bad Vilbel, Germany . . . . .	100%	not included
IIP Institut für Industrielle Pharmazie Forschungs- und Entwicklungsgesellschaft mbH, Aschaffenburg, Germany . . . . .	25%	not included
STADA Nordic ApS (previously PharmaCoDane ApS), Herlev, Denmark . . . .	100%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium . . . . .	3.42%	subsidiary
STADA CEE GmbH, Bad Homburg, Germany . . . . .	100%	subsidiary
STADA Egypt Ltd., Cairo, Egypt . . . . .	25%	not included
STADA Pharma Services India Private Ltd., Mumbai, India . . . . .	15%	not included
STADA (Thailand) Company, Ltd., Bangkok, Thailand . . . . .	60%	subsidiary
STADAvita GmbH, Bad Homburg, Germany . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA GmbH:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA Medical GmbH, Bad Vilbel, Germany . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Centrafarm Nederland B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
Hemofarm A.D., Vrsac, Serbia . . . . .	100%	subsidiary
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam . . . . .	49%	subsidiary
S.A. Eurogenerics N.V., Brussels, Belgium . . . . .	96.58%	subsidiary
STADA MENA DWC-LLC, Dubai, United Arab Emirates . . . . .	100%	not included



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and Centrafarm Nederland B.V.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Centrafarm Services B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
Healthypharm B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
HTP Huisapotheek B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
Neocare B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary
Quatropharma Holding B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V., Centrafarm Nederland B.V. and Quatropharma Holding B.V.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Centrafarm B.V., Etten-Leur, The Netherlands . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
CIG (Hong Kong) Ltd., Hong Kong, China . . . . .	70%	not included
STADA Import/Export International Ltd., Hong Kong, China . . . . .	51%	subsidiary
STADA Pharmaceuticals (Beijing) Ltd., Beijing, China . . . . .	83.35%	subsidiary
STADA Vietnam J.V. Co., Ltd., Ho Chi Minh City, Vietnam . . . . .	50%	subsidiary
STADAPHARMA HEALTHCARE INC., Makati City, The Philippines . . . . .	40%	not included
Well Light Investment Services JSC, Ho Chi Minh City, Vietnam . . . . .	49%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd. and Well Light Investment Services JSC:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Pymepharco Joint Stock Company, Tuy Hoa, Vietnam . . . . .	10%	subsidiary

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and Pymepharco JSC and/or indirect investments of STADA Arzneimittel AG through STADA Pharmaceuticals (Asia) Ltd.; through Well Light Investment Services JSC and Pymepharco JSC:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Dak Nong Pharmaceutical JSC, Dak Nong, Vietnam . . . . .	43%	not included
Phu Yen Export Import Pharmaceutical JSC, Phu Yen, Vietnam . . . . .	20%	not included
Quang Tri Pharmaceutical JSC, Quang Tri, Vietnam . . . . .	22.8%	not included

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and Clonmel Healthcare Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
CNRD 2009 Ireland Ltd., Dublin, Ireland . . . . .	50%	not included
Crosspharma Ltd., Belfast, United Kingdom . . . . .	100%	subsidiary
Genus Pharmaceuticals Holdings Ltd., Newbury, United Kingdom . . . . .	100%	subsidiary
STADA Financial Investments Ltd., Clonmel, Ireland . . . . .	100%	subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd.; Clonmel Healthcare Ltd. and Genus Pharmaceuticals Holdings Ltd.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Britannia Pharmaceuticals Ltd., Newbury, United Kingdom . . . . .	100%	subsidiary
Genus Pharmaceuticals Ltd., Newbury, United Kingdom . . . . .	100%	subsidiary

Indirect investments of STADA Arzneimittel AG through AO Nizhpharm:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Dialogfarma LLC, Moscow, Russia . . . . .	50%	not included
Hetmak FZCO, Dubai, United Arab Emirates <sup>(1)</sup> . . . . .	50%	not included
Nizhpharm-Kazakhstan TOO DO, Almaty, Kazakhstan . . . . .	100%	subsidiary
Nizhpharm-Ukraine DO, Kiev, Ukraine . . . . .	100%	subsidiary
000 Aqualor . . . . .	100%	subsidiary
000 Hemofarm, Obninsk, Russia . . . . .	90%	subsidiary
000 STADA CIS, Nizhny Novgorod, Russia . . . . .	100%	subsidiary
000 STADA Marketing, Nizhny Novgorod, Russia . . . . .	90%	subsidiary
000 STADA PharmDevelopment, Nizhny Novgorod, Russia . . . . .	100%	subsidiary
STADA M&D S.R.L., Bucharest, Romania . . . . .	100%	subsidiary
UAB STADA-Nizhpharm-Baltija, Vilnius, Lithuania . . . . .	100%	subsidiary
ZAO Makiz-Pharma, Moscow, Russia . . . . .	100%	subsidiary
ZAO Skopinpharm, Ryazanskaya obl., Russia . . . . .	100%	subsidiary

(1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG through Laboratorio STADA, S.L.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA, LDA, Paco de Arcos, Portugal . . . . .	98%	not included

Indirect investments of STADA Arzneimittel AG through Ciclum Farma, Unipessoal, LDA:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
STADA Genericos, S.L., Barcelona, Spain . . . . .	100%	not included
STADA, LDA, Paco de Arcos, Portugal . . . . .	2%	not included

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Scope of consolidation (Continued)

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V. and Hemofarm A.D.:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Hemofarm Arabia Ltd., Damascus, Syria . . . . .	50%	not included
Hemofarm Banja Luka d.o.o., Banja Luka, Bosnia-Herzegovina . . . . .	91.50%	subsidiary
Hemofarm Komerc d.o.o., Skopje, Macedonia <sup>(1)</sup> . . . . .	99.18%	not included
Hemofarm Sabac d.o.o., Sabac, Serbia . . . . .	100%	subsidiary
Hemofarm S.a.r.l., Constantine, Algeria . . . . .	40%	not included
Hemomont d.o.o., Podgorica, Montenegro . . . . .	71.02%	subsidiary
Hemopharm GmbH Pharmazeutisches Unternehmen, Bad Homburg, Germany . . . . .	100%	subsidiary
Jinan Pharmaceuticals Co., Jinan, China . . . . .	35.50%	not included
STADA Hemofarm d.o.o., Zagreb, Croatia <sup>(1)</sup> . . . . .	100%	not included
STADA HEMOFARM S.R.L., Temesvar, Romania . . . . .	100%	subsidiary
STADA IT Solutions d.o.o., Belgrade, Serbia . . . . .	100%	subsidiary
Velefarm A.D., Belgrade, Serbia . . . . .	19.65%	not included
Vetfarm A.D., Belgrade, Serbia . . . . .	15%	not included

(1) Currently in the process of liquidation.

Indirect investments of STADA Arzneimittel AG through STADA Service Holding B.V.; Hemofarm A.D. and Hemopharm GmbH Pharmazeutisches Unternehmen:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
PharmaSwyzz Germany GmbH, Bad Homburg, Germany . . . . .	100%	not included

Indirect investments of STADA Arzneimittel AG through STADA UK Holdings Ltd. and Pegach AG:

<u>Name of the company, registered office</u>	<u>Share in capital</u>	<u>Form of consolidation</u>
Spirig Healthcare AG, Egerkingen, Switzerland . . . . .	100%	subsidiary

The exemption rule stated in Section 264 (3) HGB was applied to ALIUD PHARMA GmbH, BEPHA Beteiligungsgesellschaft für Pharmawerte mbH, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH, STADA GmbH, STADA Medical GmbH, STADA CEE GmbH, STADApHarm GmbH, STADAvita GmbH, STADA Pharma International GmbH and Mobilat Produktions GmbH.

### 6. Principles for the consolidation of subsidiaries, joint ventures and associated companies

According to IFRS, business combinations are to be accounted for using the acquisition method. Assets, liabilities and contingent liabilities from business combinations are generally recognized in full - irrespective of the amount of the shareholding—as of the acquisition date at their fair values. If the acquisition costs of the subsidiary acquired exceed the proportionate newly measured net assets of the acquiree, STADA recognizes the positive difference as goodwill. After critical examination of the premises underlying the purchase price allocation, a negative difference is recognized in income in the period of the acquisition. In a business combination achieved in stages, it is necessary to carry out a revaluation through profit or loss of the shares previously held at the date control was achieved. The shares of non-controlling interests are disclosed in the amount of their share in net assets of the subsidiary.

The acquisition of additional shares from an existing controlling position in a subsidiary is recognized directly in equity in accordance with IFRS 10, as it is a transaction between the equity investors.

Subsidiaries are generally included in the consolidated financial statements from the acquisition date to the end of control by the parent company. Receivables and payables, expenses and income, as well as earnings between the companies included in the consolidated financial statements are eliminated,

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Principles for the consolidation of subsidiaries, joint ventures and associated companies (Continued)

intercompany value adjustments and provisions are released. If these consolidation measures result in deviations between the IFRS carrying amounts and the tax base of assets and liabilities, deferred tax liabilities are recognized.

Shares in associated companies are recognized according to the equity method at acquisition cost on the date when joint control is established (joint ventures) or when significant influence was established (associated company) and carried forward from this date in the amount of the proportionate share of earnings in the financial year. A positive difference determined during the purchase price allocation is recognized as goodwill in the carrying amount of the investment in the associated company. A negative difference is recognized in income in the period of the acquisition in the results from associated companies. Profit and loss from transactions with associated companies is recognized in the consolidated financial statements only according to the share of minority interests.

If indications arise from the application of IAS 39 that the carrying amount determined using the equity method might be impaired, an impairment test is carried out and, if applicable, an impairment loss in the amount of the difference between the carrying amount and the recoverable amount is recognized. The recoverable amount is the higher of the fair value less cost to sell and the value in use of the shares in an associated company.

### 7. Currency translation

The functional currency of STADA Arzneimittel AG is the euro and represents the reporting currency of the Group.

In the separate financial statements of companies included in the consolidated financial statements, foreign currency transactions are translated into the functional currency at the exchange rate applicable at the time of the transactions. On every balance sheet date, monetary items are translated using the closing rate and non-monetary items are translated using the transaction rate. Resulting currency translation differences are recognized in income as exchange gains or losses.

The translation of the companies included in the consolidated financial statements with a functional currency other than the euro into the Group functional currency is carried out using the closing rate method. Assets and liabilities are generally translated using the closing rate, while individual components of equity are translated using the historical rates at their respective dates of inflow from the Group's perspective. The income and expenses of the income statements are translated—and thereby also the resulting translation of the annual results to be entered in equity—using the average exchange rate of the period.

Currency translation differences arising from the use of different exchange rates are recognized directly in equity in the “Provisions for currency translation”. These provisions are released and recognized in income if Group companies leave the scope of consolidation.

The exchange rate development of currencies important to STADA to the euro can be seen in the following chart:

Significant currency relations in local currency to € 1	Closing rate on Dec. 31 in local currency			Average rate for the reporting period		
	2014	2013	± %	2014	2013	± %
Pound sterling . . . . .	0.77890	0.83310	− 7%	0.80640	0.84974	− 5%
Russian ruble . . . . .	72.35890	45.24887	+60%	52.56082	42.58944	+23%
Serbian dinar . . . . .	120.91898	114.81056	+5%	117.23329	113.12217	+4%
Ukrainian hryvnia . . . . .	19.23447	11.35718	+69%	15.40541	10.86012	+42%
US Dollar . . . . .	1.21409	1.37671	− 12%	1.32989	1.33012	0%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations

In financial year 2014, the following significant business combinations in the sense of IFRS 3 occurred, for which the preliminary purchase price allocation is described in more detail below.

In the second quarter of 2014, STADA purchased the production and distribution rights for the branded product portfolio Flexitol® including the associated sales structures from the LaCorium group of companies. STADA achieved control upon conclusion of the contract on June 16, 2014.

The purchase price for the acquisition of the production and distribution rights including the associated sales structures totaled GBP 8.3 million (approx. € 10.3 million) including adjustments for inventory in the amount of GBP 1.7 million (approx. € 2.2 million), and was completely paid in cash or cash equivalents. The acquired product portfolio comprises 15 prescription-free (OTC) and prescribable (OTX) products in the area of hand and foot care.

In the context of the purchase price allocation, goodwill in the amount of approx. € 1 resulted from the business combination and is broken down as follows:

#### in € million

Purchase price for 100% of the shares in the production and distribution rights approx. . . . . .	10.3
Proportionate fair values of the assets and liabilities acquired incl. fair value of adjustments for inventory approx. . . . . .	10.3
<b>Goodwill</b> . . . . .	<b>0.0</b>

For the assets acquired and liabilities assumed in the context of the business combination, the following fair values were recognized at the acquisition date:

#### Fair values in € million

Intangible assets . . . . .	12.5
Inventories . . . . .	0.8
<b>Assets</b> . . . . .	<b>13.3</b>
Trade accounts payable . . . . .	3.0
<b>Liabilities</b> . . . . .	<b>3.0</b>

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the measurement of acquired assets and liabilities assumed.

Sales generated in the market region Central Europe with the branded product portfolio Flexitol® since the acquisition date amounted to approx. € 2 million in financial year 2014. The operating profit of this business combination adjusted for the effects of the purchase price allocation (approx. € 0.3 million) amounted to approx. € 1 million in financial year 2014. If STADA had acquired the branded product portfolio Flexitol® on January 1, 2014, sales of approx. € 4 million and operating profit, adjusted for effects from the purchase price allocation (about € 0.6 million), of approx. € 2 million would have been achieved on a linear extrapolation in financial year 2014.

Another significant business combination resulted in the context of acquiring the British company Internis Pharmaceuticals Limited, London, United Kingdom, which is active in the prescription area of therapeutic treatment of vitamin D3 deficiency. STADA achieved control upon conclusion of the contract on December 19, 2014.

The purchase price amounts to a maximum of GBP 49.0 million (applying the exchange rate at the date of acquisition approx. € 62.3 million) and was completely paid in cash or cash equivalents. It contains certain contingent purchase price components. The conditional purchase price components amount to a total of GBP 20.0 million and divide equally into two purchase price conditions. The first purchase price condition is to obtain regulatory drug approval. The final purchase price is determined by the date of achieving the approval. The determination of the final purchase price of the second purchase price component depends on certain changes regarding competitive parameters and determined sales targets. The amount



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Business combinations (Continued)

recognized as of the acquisition date for conditional consideration amounts to GBP 20.0 million. It is very likely that the regulatory drug approval will be obtained at an early date and, therefore, the competitive parameters will not have changed at that time. A range of GBP 0 to 20.0 million is assumed for the conditional purchase price components, while the risk of a deviation of GBP 20.0 million is estimated as very low. As of the balance sheet date, GBP 39.0 million had been already paid.

Due to the short amount of time between the acquisition and the balance sheet date, the entire purchase price allocation for this business combination is to be regarded as provisional. In the context of the preliminary purchase price allocation, goodwill in the amount of approx. € 8.9 million resulted from the business combination and is broken down as follows:

#### in € million

Purchase price for 100% of the shares of the company approx. ....	62.3
Proportionate fair values of the assets and liabilities acquired approx. ....	53.4
<b>Goodwill</b> .....	<b>8.9</b>

Goodwill here results primarily from the expansion of the presence in the market region Central Europe, from taking over a highly qualified workforce and from a possible expansion of the sales activities in the market region Central Europe.

For the assets acquired and liabilities assumed in the context of the business combination, the following preliminary fair values were recognized at the acquisition date:

#### Fair values in € million

Intangible assets .....	63.0
Other non-current assets .....	1.0
Trade accounts receivable .....	2.6
Other current assets .....	1.3
Cash and cash equivalents .....	4.9
<b>Assets</b> .....	<b>72.8</b>
Deferred tax liabilities .....	12.1
Other non-current liabilities .....	2.3
Other current liabilities .....	5.0
<b>Liabilities</b> .....	<b>19.4</b>

Fair values were determined on the basis of observable market prices. To the extent that market prices could not be determined, income or cost-oriented procedures were used for the measurement of acquired assets and liabilities assumed.

Sales generated in the market region Central Europe with the company Internis since the acquisition date amounted to approx. € 0.4 million in financial year 2014. The operating profit of this business combination adjusted for the effects of the purchase price allocation (approx. € 0.0 million) amounted to approx. € 0.1 million in financial year 2014. If STADA had acquired the company on January 1, 2014, sales of approx. € 13 million and operating profit, adjusted for effects from the purchase price allocation (about € 2 million), of approx. € 5 million would have been achieved on linear extrapolation in financial year 2014.

### 9. Accounting policies

STADA's consolidated financial statements are based on uniform accounting policies. The basis for these are the accounting requirements which are mandatory for all companies included in the consolidated financial statements and which are described in more detail below.

**Sales** are recognized when goods have been delivered or services rendered, provided that it is reasonably probable that measurable economic benefits will flow to the entity and that the substantial risks and rewards of ownership have been transferred to the buyer. It must also be possible to reliably measure the Company's own costs incurred or to be incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

Sales are recognized before taxes and after deduction of revenue reductions (rebates or discounts) at fair value of the consideration received or receivable. Expenses from the creation of provisions for warranties are deducted from sales on the basis of estimated amounts. The estimates are based on experience regarding amounts used in the past. The estimated expense from the creation of provisions is determined as a percentage of sales. Discounts to health insurance organizations are also recognized with a reduction on sales based on the respective contract in force.

Income and expenses from the same transactions are generally recognized in the same period. Expenses related to accruals for future revenue reductions are thus recorded in the period in which the sales are realized.

**Cost of sales** includes the costs of conversion of the products sold and the purchase price of commercial goods sold or given free of charge. The expense is recognized in the period in which the associated income is realized. In addition, cost of sales also includes costs directly attributable to the commercial goods (e.g. cost of materials and personnel expenses), overhead costs (e.g. depreciation of production equipment and regulatory drug approvals and licenses) as well as value adjustments of excess or obsolete inventories.

**Research expenses** are costs that are incurred in relation to the research activity of a company that aims to provide new scientific or technical findings. The product portfolio of the STADA Group continues to focus on products that do not require the Group to conduct its own research. Just as in the previous years, no research expenses were thus incurred in financial year 2014.

**Development expenses** consist of expenses involved initially in the technical implementation of theoretical discoveries in production and production processes and ultimately their commercial implementation.

As a rule, the objective of a development process at STADA is to obtain national or multinational regulatory drug approval. Development costs relative to approvals for new drugs obtained by STADA result in capitalization as intangible assets if all the following preconditions are met:

- It is technically possible to complete the asset (generally, achieve regulatory approval), enabling it to become available for use or sale.
- The intention and ability exist as well as the necessary resources to complete the asset and to use or sell it in the future.
- The intangible asset provides the Group with a future economic benefit.
- It must be possible to reliably calculate the development costs of the intangible asset.

STADA immediately recognizes development costs not eligible for capitalization as expense in the periods in which they are incurred. These include expenses for technical and regulatory maintenance of products sold.

**Interest income** is reported in the income statement as a component of financial income. In this regard, both interest income and interest expenses for all financial instruments measured at amortized cost as well as interest-bearing financial assets classified as available for sale are recognized on the basis of the effective interest rate.

**Dividends** received from companies not included in the consolidated financial statements are disclosed within the investment income. This shall be recognized when the shareholder's right to receive payment is established.

**Income taxes** include actual taxes on income as well as deferred taxes. The tax receivables and liabilities recognized in the balance sheet include demands or liabilities for income taxes in Germany and outside Germany from financial year 2014 as well as from previous years, if applicable. The tax receivables and liabilities are calculated on the basis of tax rates effective as of the balance sheet date or known and already concluded for the future in the countries in which the taxable income is generated.

Deferred taxes are created for temporary differences between the tax base of the assets or liabilities and their valuation rate in the IFRS financial statements as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that a taxable profit will result against which the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

temporary difference can be utilized. Deferred tax liabilities are recognized for temporary differences taxable in the future. STADA determines deferred taxes on the basis of tax rates applicable at the balance sheet date or those that have already been resolved and communicated for the future. Deferred tax receivables and liabilities are offset if these relate to the same taxation authority.

The tax expense in the period is recognized in the income statement, provided the changes in value that are recognized directly in equity are not affected. To the extent that there are changes in the tax rate with an effect on deferred taxes, the resulting effects are recognized in the period in which they arise.

**Goodwill** is not amortized over the period of useful life. Instead, an impairment test is performed at least once per year (impairment-only approach). For this purpose, goodwill is allocated to cash-generating units aggregated into market regions below the segment level, where a cash-generating unit corresponds to a market region within the three operating segments of the STADA Group for the purpose of an impairment test of goodwill.

STADA carries out impairment tests for capitalized goodwill at least once a year. Additional reviews also take place if indications of impairment become apparent. During the impairment test, the carrying amount of each cash-generating unit is compared with its recoverable amount. The carrying amount of a cash-generating unit comprises the carrying amounts of all assets and liabilities attributable to the valuation unit including the carrying amount of goodwill to be tested. If the recoverable amount of a cash-generating unit is lower than the carrying amount, an impairment loss results. The recoverable amount is generally defined as the higher of the fair value less costs to sell, if measurable, and the value in use of the cash-generating unit. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. Significant assumptions which are taken in order to determine the value in use include assumptions regarding sales development, regulatory conditions, investments, the discount rate, currency relations as well as the growth rate. These assumptions are taken individually according to the individual situations for every cash-generating unit and are partly based on internally determined assumptions which reflect both past experience and include external market data.

**Other intangible assets** with determinable useful lives are recognized at cost and amortized on a straight-line basis over the period of their useful life. Amortization shall begin when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the intended manner. The useful life of regulatory drug approvals, trademarks, licenses, dossiers with data for drug approvals or in preparation of drug approvals, software, concessions, property rights and similar rights is between three and 30 years. If on the balance sheet date, there are indications that these assets are impaired, the recoverable amount of the asset is re-evaluated and impairment losses are recognized according to the difference to the carrying amount. If the reasons for recognizing an impairment loss cease to exist, corresponding write-ups are carried out up to a maximum of the amortized cost.

Intangible assets with indeterminable useful lives are not amortized. In the context of annual impairment tests and additionally in all cases where there are indications of impairment, the recoverable amounts of these assets are compared with their carrying amounts and if necessary, an impairment loss is recognized. For this purpose, the fair value of the asset less costs to sell was determined using the relief from royalty method. At STADA, this affects the umbrella brand Hemofarm capitalized in the context of the acquisition of the Hemofarm group, as well as the umbrella brand Pymepharco capitalized in the context of achieving control over Pymepharco. Intangible assets that are not yet available for use are also generally put through annual impairment tests. Furthermore, in each reporting period, an audit is carried out to check whether the reasons for recognizing an indefinite useful life continue to exist.

Internal development costs are capitalized in accordance with the criteria in IAS 38. Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs, external services and directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life (generally 20 years).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

**Property, plant and equipment** is reported at cost less depreciation and any impairment losses plus write-ups. Depreciation shall begin when the asset is available for use and is accordingly in the condition necessary for it to be capable of operating. Subsequent acquisition costs are capitalized. Capitalization requires that a future economic benefit will flow to the company and that the cost of the asset can be reliably measured. Expenses for repairs and maintenance which do not represent significant replacement investments are recognized as expenses in the financial year in which they are incurred.

Items of property, plant and equipment are depreciated according to their useful life using the straight-line method. The depreciation period may be up to 50 years in the case of buildings, eight to 20 years in the case of technical facilities and three to 14 years for other plant and office furniture and equipment. The component approach, according to which every significant component of property, plant and equipment with different useful lives, must be depreciated separately, is not applied at STADA due to a lack of relevance. To the extent necessary, impairment losses are recognized pursuant to IAS 36; these are reversed if the reasons for the original recognition of an impairment loss no longer exist.

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized as part of the cost of the intangible asset or property, plant and equipment. Other borrowing costs are not capitalized. Where acquisitions are made in a currency other than the respective functional currency, subsequent changes in exchange rates have no impact on the recording of original costs.

**Impairments on other intangible assets and property, plant and equipment** exist when the recoverable amount of an asset is lower than its carrying amount. At each balance sheet date, STADA assesses whether indications for impairment are apparent. If this is the case, e.g. if certain defined critical values are exceeded, the asset's recoverable amount is determined. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, where the value in use is calculated with a discounted cash flow method. Under this procedure, future cash flows of intangible assets are discounted at the weighted average cost of capital, which is determined individually for various market regions with specific parameters. Expenses arising from impairments are recognized under "Other expenses".

For the purpose of impairment tests of other intangible assets and property, plant and equipment, cash-generating units within the STADA Group are defined at the level of individual assets within the reportable segments of Branded Products, Generics and Commercial Business.

If the reasons for an impairment no longer exist, the corresponding write-ups are carried out up to a maximum of the carrying amounts determined at amortized cost. Income from write-ups is reported under the item "Other income".

**Leases** are classified either as operating lease or as finance lease, depending on whether the significant risks and rewards of ownership remain with the lessor or with the lessee. The lease is not recognized in the lessee's balance sheet in case of operating leases. STADA records the lease payments for these leases in the income over the lease term. Assets from finance leasing are, on initial recognition, recognized at the lower of the fair value of the lease and the present value of minimum lease payments, and are depreciated according to their estimated useful lives or shorter contractual period. An amount is reported as lease liability, when, on initial recognition, it corresponds to the lease's carrying amount and is extinguished and carried forward in subsequent periods with a constant effective interest rate. The interest that is part of the lease installment is recognized as an expense.

In addition, in case of sale and leaseback transactions that represent a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognized in the income statement over the lease term.

The total value of capitalized leases is not of material significance for STADA when compared with the total volume of fixed assets.

Under **financial assets**, STADA recognizes shares in non-consolidated, affiliated companies, other investments as well as held-to-maturity securities. Shares in associated companies and other investments are classified as available-for-sale financial assets and are generally reported at fair value with no effect on income. If no quoted market prices in an active market are available to measure these shares and their fair value therefore cannot be determined reliably, they are measured at amortized cost. If any objective indications of impairment are determined, these are quantified by means of an impairment test and recognized in profit or loss in accordance with IAS 39.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

**Inventories** include such assets that are held for sale in the ordinary course of business (finished goods), that are in the process of production for such sale (work in progress), and that are consumed in the production process or in the rendering of services (materials and supplies). Inventories are measured at the lower of cost and net realizable value. Costs are calculated based on weighted average costs. Costs of sales include both costs that are directly incurred in production and overheads that can be allocated to the production process, including reasonable depreciation on production facilities. Financing costs are not included, but are instead recognized as an expense in the period in which they occur. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Financial assets** can be broken down into the following categories in accordance with IAS 39: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are accounted for and measured pursuant to IAS 39. Accordingly, financial assets are, as a rule, initially recognized at fair value. In addition, for financial assets which are subsequently measured at amortized cost, transaction costs directly attributable to the acquisition are to be taken into account. Different measurement policies apply for subsequent measurement in accordance with the applicable categories for financial assets pursuant to IAS 39.

**Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are allocated to current assets to the extent that they are due for settlement within twelve months after the balance sheet date. STADA reports loans and receivables under “Trade accounts receivable”, “Other financial assets” and “Cash and cash equivalents”. They are measured at amortized cost using the effective interest method.

STADA reports receivables from derivatives which, if applicable, may also be part of hedge accounting, as **financial assets at fair value through profit or loss**. Assets in this category are reported under the “Other financial assets” item. They are measured at fair value. If these assets do not have a quoted market price in an active market, fair value is determined with appropriate measurement models. This includes the application of discounted cash flow methods, which are largely based on input parameters observable in the market. Changes in the fair values are recognized in profit and loss at the time of the increase or decrease in value.

**Held-to-maturity financial investments** include non-derivative assets with fixed or determinable payments and a fixed term that STADA intends to hold to maturity. They are measured at amortized cost using the effective interest method. STADA reports these assets in financial assets under the item “Other financial assets”.

**Available-for-sale financial assets** are non-derivative assets that are not allocated to any of the above categories. In particular, they comprise, in addition to shares in affiliated companies and other investments included in financial assets, equity securities which are recognized under “Other financial assets”. They are measured at fair value, with recognition of changes under “Provisions available for sale” directly in equity. These measurement results are reclassified through profit and loss upon sale or valuation allowance of these assets. There must be objective evidence that there is a significant or continuing decrease in fair value below cost. Usually, published price quotations can be used for determining fair value.

**Trade accounts receivable** are measured at amortized cost less impairments using the effective interest rate method. Impairments are made in the form of individual impairments and general individual impairments for specific defaults and expected default risks resulting from the insolvency of customers. To quantify the expected default risk, STADA determines the expected future cash flows from receivables grouped by debtor. To this end, the maturity structures of net receivables and experience relating to derecognition of receivables in the past, the creditworthiness of the customers as well as changes in payment conditions are taken into account. In addition, a trade credit insurance that covers part of the loss in case of default is to be taken into consideration for various Group companies. The required impairment thus determined reduces the assets' carrying amounts through recognition of an impairment account.

The loss is recognized in profit and loss under “Other expenses”. Bad debts are derecognized against the impairment account. Subsequent cash receipts for receivables already derecognized are presented net of expenses.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

**Non-current assets and disposal groups held for sale** are classified as held for sale, if the related carrying amount will be recovered principally through a sale transaction rather than through continuing use, and if the sale is regarded as highly probable. Measurement of these assets is based on the lower of carrying amount and fair value less costs to sell.

**Cash and cash equivalents** include cash and call deposits as well as short-term and highly liquid financial investments with a maximum term of 90 days from the purchase date, which can be converted to cash immediately and are subject only to minor price fluctuation risks. They are measured at amortized cost. Cash and cash equivalents are reported in accordance with their definition in IAS 7.

Other assets, which are not based on any contractual rights involving the direct or indirect exchange of cash, are recognized under the item **other assets**.

STADA maintains defined benefit plans in various countries, according to which the amount of pension benefits depends on the employees' pensionable remuneration and the length of their service or which contain guarantees not permitting recognition as defined contribution plan. **Pension obligations** are measured in accordance with actuarial principles of the projected unit credit method. The pension provisions recognized in the balance sheet correspond to the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets adjusted for the effect resulting from any effect of limiting the benefit asset. The calculation includes, apart from earned pensions and entitlements, future salary and pension increases as well. For German Group companies, pension obligations are calculated based on the biometric accounting principles of the Heubeck 2005G mortality tables. Outside Germany, country-specific mortality tables are used. Future pension benefits are subject to individual pension agreements. The discount rate shall be based on market yields on high quality corporate bonds with fixed interest rates at the end of the reporting period. In countries where there is no deep market in such corporate bonds, the discount rate is determined on the basis of market yields on government bonds.

The standard IAS 19 only permits actuarial gains and losses to be recognized directly in equity. It differentiates between gains and losses due to changes in demographic assumptions, due to changes in financial assumptions as well as due to experience-based amendments. They are recognized directly in equity in the period in which they occur ("Other comprehensive income"). The relevant amounts are reported separately in the consolidated statement of comprehensive income. For the calculation of the portion of the interest income on plan assets recognized through profit or loss, the standard IAS 19 requires the application of the discount rate underlying the obligation. The remainder of the actual income from plan assets is to be recognized directly in other comprehensive income. The current service cost is recorded in staff costs of the individual functional areas. All past service cost that arises in the financial year shall be recognized immediately through profit or loss.

Various Group companies additionally grant their employees defined contribution plans. Here, Group companies pay defined contributions to independent institutions due to legal or contractual requirements or on a voluntary basis; liabilities beyond this do not exist. Contributions to be paid for the respective plans are recognized as expense in the respective period in the relevant functional areas.

The **other non-current provisions** contain anniversary provisions as other long-term employee benefits. Commitments to anniversary payments are recognized in accordance with the guidelines in IAS 19 as other long-term employee benefits. In contrast to pension provisions, actuarial gains and losses are not recognized without an effect on the income statement. Such potential gains and losses are immediately recognized as income or expenditure in the relevant functional area. Furthermore, there is a working time accounts plan which is accounted for in the same way as commitments to anniversary payments.

**Other provisions** are made by STADA if there are current legal or constructive obligations to third parties arising from past events and probably can lead to an outflow of resources embodying economic benefits that can be reliably determined. An outflow of resources embodying economic benefits is considered as probable if it is more likely than not. Other provisions are recognized in an amount that, taking into account all recognizable risks, offers the best possible estimate of expenditures necessary to fulfill the obligations. Any existing reimbursement claims by third parties are not netted with other provisions. Expenses from the creation of provisions are allocated to functional costs according to where they arise. If

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Accounting policies (Continued)

changes in estimates result in a reduction of the obligation, the other provisions are reversed on a pro rata basis and recognized in profit and loss under the item where the original expense was recognized.

STADA reports all other provisions as current liabilities, because a settlement date within twelve months of the balance date is expected. The amounts recognized are not discounted. Liabilities incurred due to outstanding accounts or obligations vis-à-vis personnel and tax authorities, as well as other liabilities are not recorded as provisions, but under “Trade accounts payable” or “Other liabilities”.

Differentiated from provisions, there are **contingent liabilities** for possible obligations based on past events but which will not become manifest until the occurrence of one or more uncertain future events, which are not under STADA’s control. In addition, there are also contingent liabilities for current obligations, for which however the associated outflow of resources is not considered probable or the amount of the obligation cannot be adequately estimated. In accordance with IAS 37, such contingent liabilities are not recognized.

**Financial liabilities** are measured on initial recognition at fair value plus transaction costs directly attributable to the acquisition. For financial liabilities that subsequently continue to be measured at fair value, any transaction costs are recognized as an expense in the period in which they occur. This relates to the accounting of derivative financial instruments with negative market values that are not part of an effective hedging relationship and allocated to the category “at fair value through profit or loss” in accordance with IAS 39. STADA reports these liabilities in the “Other financial liabilities” item. Here, those derivative financial instruments are also included which serve to hedge interest rate and currency risks resulting from operating activities, financial transactions and investments, and which are also measured at fair value in accordance with the regulations of IAS 39 on hedge accounting. Unless market prices are available, fair value is determined with measurement models based on discounted cash flow models.

**Derivative financial instruments** exist at STADA in the context of derivatives measured at fair value with an effect on income as well as in the context of derivative hedging instruments. In each case, depending on whether the market value of the derivatives is positive or negative, they are recognized under the item “Other financial assets” or “Other financial liabilities” (see accounting policies for financial assets and financial liabilities). Cash flow hedges, fair value hedges and hedges of net investments in a foreign operation can generally be recognized as derivative hedging instruments in the context of hedge accounting in accordance with IAS 39.

At STADA, cash flow hedges are used to hedge against fluctuations of cash flows associated with a recognized asset or a recognized liability or a highly probable planned transaction. Changes in the fair value of these hedging instruments are recognized in the amount of the effective part of the hedging relationship directly in equity under “Provisions for cash flow hedges”. A transfer to the income statement takes place in the period when the underlying hedged item becomes effective. The ineffective part of the changes in value is, however, recognized directly in the income statement.

In the context of fair value hedges, the risk of a change in fair value of recognized assets or recognized liabilities or fixed off balance liabilities is hedged. Changes in the fair value of these hedging transactions are recorded in profit and loss like changes in the fair value of the underlying hedged items. If the requirements for hedge accounting are no longer met, the carrying amounts of the previously hedged items are adjusted on the basis of their remaining terms. Hedges of net investments in a foreign operation are treated according to the same accounting policies as cash flow hedges.

STADA regularly reviews the effectiveness of the hedging relationships as a prerequisite for hedge accounting pursuant to IAS 39. A hedging transaction is in general considered to be effective, if changes in fair value of the hedging transaction are both prospectively and retrospectively within a range of 80% to 125% of the offsetting changes in fair value of the hedged item.

STADA measures all other financial liabilities, in particular trade accounts payable as well as financial liabilities, at amortized cost using the effective interest method.

STADA has so far not made use of the option to designate financial liabilities on initial recognition as financial liabilities to be recognized at fair value through profit or loss.

Other liabilities, which are not based on any contractual rights involving the direct or indirect exchange of cash, are recognized under the item “Other liabilities”.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. Estimates, assumptions and discretion in the application of accounting principles

The presentation of the business, financial and earnings situation in the consolidated financial statements is determined by recognition and valuation methods. To a certain extent, STADA makes estimates and assumptions relating to the future that are based on past experience as well as other factors that are considered to be appropriate in the particular circumstances. Although the estimates and assumptions are constantly re-evaluated, estimates derived in this way may differ from actual circumstances. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed below.

As part of purchase price allocations in business combinations, goodwill is the difference between the acquired net assets valued according to IFRS 3 and the consideration transferred plus the fair value of the previously held shares and the amount recognized of non-controlling shareholders. Various valuation methods are used for this, which are primarily based on estimates and assumptions.

STADA carries out an impairment test for capitalized goodwill at least once a year. The discounted future cash flows of the cash-generating units aggregated to market regions below the segment level, which are based on certain assumptions, are to be determined for this purpose. The discounted cash flow method is used to determine the value in use, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years based on approved budgets. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. The budget values for future financial years, which are subject to some uncertainty due to unforeseeable future legal developments and developments in the health care market, as well as the parameters determined in the context of current market information but also as a best possible estimate mean that the assessment of impairment may differ from actual circumstances, and despite good forecasts in the reporting year an impairment requirement may be necessary in subsequent years.

For items of properly plant and equipment and intangible assets, the expected useful lives and associated amortization or depreciation expenses are determined on the basis of the expectations and assessments of management. If the actual useful life is less than the expected useful life, the amount of depreciation or amortization is adjusted accordingly. As part of the determination of impairment losses on fixed assets, estimates relating to the cause, timing and amount of the impairments are also made. Particularly in the context of impairment tests for yet unused approvals, which are recognized as advance payments, the growth rates applied for the present value test as well as the long-term price and cost development of active pharmaceutical ingredients are based on best possible estimates. This also applies to the impairment tests of other intangible assets with indefinite useful lives.

Development costs are capitalized based on the assessment of whether the capitalization requirements of IAS 38 are met. Planning calculations are necessary to determine the future economic benefit, which are by their nature subject to estimates and may therefore deviate from actual circumstances in the future.

STADA makes valuation allowances on receivables in order to anticipate losses expected in relation to insolvency of customers. The maturity structure of the net receivables and past experience in relation to bad debts as well as the customers' creditworthiness are used as the criteria for evaluating the appropriateness of the valuation allowances. This does not, however, exclude the possibility that the actual derecognitions will exceed the expected valuation allowances due to a significant worsening in the financial situation of the customer. Accounting judgments and estimates regarding the assessment of the value of receivables relate particularly to impaired receivables from debtors in CEE countries.

STADA operates in various countries and is obliged to pay respective income taxes in each tax jurisdiction. In order to calculate the income tax provisions and the deferred taxes in the Group, the expected income tax as well as the temporary differences resulting from the different treatment of certain items according to IFRS and their accounting in accordance with tax law are each to be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed values, this has a corresponding effect on actual and deferred taxes and thus on the business, financial and earnings situation of the Group in the respective period. Furthermore, increasing importance within the STADA Group is being allotted to a comprehensive tax transfer-pricing model for the payment of intercompany services. Potential risks of non-recognition of these transfer prices for tax purposes is limited by way of the introduction of

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. Estimates, assumptions and discretion in the application of accounting principles (Continued)

corresponding agreement procedures and a comprehensive definition of transfer prices in the form of a Group guideline.

When determining the fair values of derivatives and other financial instruments, for which no market price in an active market is available, valuation models based on input parameters observable in the market are applied. The cash flows which are already fixed or calculated by means of the current yield curve using so-called “forward rates” are discounted to the measurement date with the discount factors determined by means of the yield curve valid on the balance sheet date.

The amount of pension obligations from defined benefit plans is calculated using actuarial methods. This procedure is based upon assumptions, among other things, regarding the discount rate, life expectancy and future salary and pension increases. Changes to these assumptions can significantly influence the amount of future pension expenses.

The creation of other provisions is based on the assessment of management regarding the probability and amount of an outflow of resources. STADA creates provisions if there is a present external obligation and a probable outflow of resources, i.e. if it is more likely to occur than not. Provisions in relation to pending legal disputes are created based on how STADA estimates the prospects of success. The determination of provisions for damages is also associated with substantial estimates, which can change due to new information. The same applies for the recognition of the amount of contingent liabilities.

Expenses from the creation of provisions for warranties are considered in sales and charged against income. Estimated values based on past experience are used for this purpose. This means that the actual expenses for warranties may differ from the estimate and sales would accordingly turn out to be higher or lower. The same applies for the consideration of discounts (e.g. discounts to health insurance organizations) prescribed by law and due to other regulatory requirements, which are recognized with a reduction on sales based on the respective underlying contract with an estimated amount in expectation of probable sales.

### Notes to the Consolidated Income Statement

#### 11. Sales

STADA's sales primarily result from the supply of products. For information on the reporting of sales, please refer to the details included in Accounting Policies.

In 2014, the increase in sales compared to 2013 was primarily a result of the good sales development in the market regions Central Europe and Asia & Pacific. This development was mainly characterized by the acquisition of the British OTC supplier Thornton & Ross as well as the consolidations of the Vietnamese company STADA Vietnam and the Chinese company STADA Pharmaceuticals (Beijing). Exchange rate effects and portfolio changes had a total influence of € 47.3 million on sales in the reporting year. For information on how sales are broken down according to segments and market regions, please refer to Segment Reporting in Note 43.

#### 12. Cost of sales

Cost of sales is divided into the following items:

in € 000s	2014	2013 <sup>(1)</sup>
Material expenses . . . . .	853,464	834,810
Impairment, depreciation and amortization . . . . .	100,779	86,265
Expenses from inventory write-downs . . . . .	33,747	29,945
Remaining cost of sales . . . . .	82,451	73,455
<b>Total . . . . .</b>	<b><u>1,070,441</u></b>	<b><u>1,024,475</u></b>

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. Cost of sales (Continued)

Impairment, depreciation and amortization in the amount of €100.8 million (previous year<sup>(1)</sup>: €86.3 million) mainly includes depreciation and amortization on intangible assets, the ownership of which represents a necessary condition for the marketing of the products manufactured—in particular drug approvals.

Expenses from inventory write-downs included inventories written down to net realizable value netted with reversals. The reversals amounted to €9.3 million in financial year 2014 (previous year<sup>(1)</sup>: €7.3 million).

### 13. Selling expenses

Selling expenses comprise in addition to the costs for sales departments and sales force also the costs for advertising and marketing activities including samples for doctors. They also include all costs for logistics that occur for completed final products. Discounts in the form of free retail packages, so-called discounts in kind,—if possible under the legal regulations in a national market—are not included. The resulting expenses are recognized as a part of cost of sales.

In the reporting year, marketing expenses in the amount of €186.4 million (previous year<sup>(1)</sup>: €196.6 million) corresponded to a share of 41% in selling expenses (previous year<sup>(1)</sup>: 40%). In addition, selling expenses included depreciation in the amount of €7.4 million (previous year: €7.7 million).

### 14. General and administrative expenses

Personnel and material costs of service and administrative units are reported under general and administrative expenses, unless they have been charged to other functional areas as internal services.

In 2014, the general and administrative expenses included depreciation in the amount of €10.2 million (previous year<sup>(1)</sup>: €10.6 million).

General and administrative expenses decreased in the reporting year by a total of €6.7 million. The decrease was a result of net earnings in the amount of €15.9 million, primarily from past service cost, in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded according to the former benefit plan.

### 15. Research and development expenses

For information on the composition of research and development expenses, please refer to the details included in Accounting Policies.

In financial year 2014, research and development expenses increased by €1.4 million compared to the previous year.

The research and development expenses include depreciation in the amount of €2.6 million (previous year<sup>(1)</sup>: €2.6 million). Development costs for new products in the amount of €27.5 million (previous year: €18.8 million) were capitalized in financial year 2014 (see the note on the item “Intangible assets”).

### 16. Other income

Other income is divided into the following items:

in € 000s	2014	2013 <sup>(1)</sup>
Income in connection with business combinations . . . . .	—	36,831
Income from write-ups . . . . .	—	546
Income from disposal of non-current assets . . . . .	43	—
Currency translation gains . . . . .	—	—
Remaining other income . . . . .	20,024	16,377
<b>Total . . . . .</b>	<b><u>20,067</u></b>	<b><u>53,754</u></b>

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Other income (Continued)

The income in connection with business combinations in the previous year resulted from the control achieved over the Vietnamese pharmaceutical companies Pymepharco and STADA Vietnam and the related purchase price allocations, including effects from the dissolution of the respective provisions for currency translation. In connection with the acquisition of the British OTC supplier Thornton & Ross, furthermore, negative goodwill was recognized from the purchase price allocation for this business combination in the previous year. No such income was recognized in financial year 2014.

The remaining other income includes such items as income from damage claim payments received and other income not directly associated with functional costs, which comprises many insignificant individual items in the Group companies.

### 17. Other expenses

Other expenses are broken down as follows:

in € 000s	2014	2013 <sup>(1)</sup>
Expenses from valuation allowances on accounts receivable . . . . .	3,809	9,388
Losses on the disposal of non-current assets . . . . .	—	521
Currency translation expenses . . . . .	29,415	16,535
Impairment losses on non-current assets excluding goodwill . . . . .	47,723	23,617
Impairment losses on goodwill . . . . .	59,808	—
Remaining other expenses . . . . .	14,488	22,568
<b>Total . . . . .</b>	<b><u>155,243</u></b>	<b><u>72,629</u></b>

Expenses for valuation allowances on accounts receivable were recognized netted with the corresponding income from their reversal.

Other expenses include impairment losses on non-current assets excluding goodwill in the amount of € 47.7 million (previous year: € 23.6 million). In addition, impairment losses on goodwill regarding the market regions CIS/Eastern Europe as well as Asia/Pacific & MENA were recorded in the reporting year. These impairment losses were considered by STADA as a special effect of financial year 2014.

The item also included net currency translation expenses in the amount of € 29.4 million in the reporting year (previous year<sup>(1)</sup>: € 16.5 million). This development is especially attributable to the strong devaluation of the significant currencies of the market region CIS/Eastern Europe and the resulting currency translation expenses, which are reported as one-time special effects.

Within remaining other expenses, personnel expenses are recognized in the amount of € 5.8 million (previous year: € 9.4 million).

### 18. Expenses in connection with the “STADA—build the future” project

Expenses in connection with the “STADA—build the future” project, which were reported as special effects and recorded separately in the consolidated income statement since financial year 2010, amounted to € 9.1 million in the previous year and primarily included burdens from external consulting services, related follow-up projects as well as unscheduled personnel expenses in the framework of this project.

In financial year 2014, no expenses were incurred in connection with the “STADA—build the future” project, as it was successfully concluded at the end of financial year 2013.

### 19. Financial result

The **result from investments measured at equity** in financial year 2014 relates to the companies BIOCEUTICALS Arzneimittel AG, Pharm Ortho Pedic SAS and AELIA SAS, which are accounted for using the equity method. In the previous year, this also related—in the context of the retrospective adjustments carried out in accordance with the new standard IFRS 11—to the Vietnamese company STADA Vietnam, which has been consolidated as subsidiary since the fourth quarter of 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Financial result (Continued)

**Investment income** primarily relates to profit distributions from companies not included in the consolidated financial statements.

**Financial income and financial expenses** are composed of the interest result and other financial income and other financial expenses.

The interest result developed as follows:

in € 000s	2014	2013 <sup>(1)</sup>
Interest income . . . . .	1,242	3,484
Interest expense . . . . .	70,393	69,930
<b>Interest result . . . . .</b>	<b>– 69,151</b>	<b>– 66,446</b>
<i>thereof: from financial instruments of the valuation categories in accordance with IAS 39:</i>		
• Loans and receivables . . . . .	1,242	3,484
• Financial assets at fair value through profit and loss . . . . .		—
• Held-to-maturity investments . . . . .		—
• Available-for-sale financial assets . . . . .		—
• Financial liabilities measured at amortized costs . . . . .	– 68,431	– 67,915

In addition, the interest result in financial year 2014 includes an interest expense from other non-current provisions, which comprises interest income on plan assets as well as interest expenses from pension obligations and other non-current provisions, in the amount of € 2.0 million (previous year: € 2.0 million).

In financial year 2014, the Group refinanced itself at interest rates of between 0.9% p.a. and 12.0% p.a. (previous year: between 0.8% p.a. and 13.8% p.a.). On the balance sheet date of December 31, 2014, the weighted average interest rate for non-current financial liabilities was approx. 3.3% p.a. (previous year: approx. 3.5% p.a.) and for current financial liabilities approx. 4.6% p.a. (previous year: approx. 2.1% p.a.). For all of the Group's financial liabilities the weighted average interest amounted to approx. 3.7% p.a. (previous year: approx. 3.3% p.a.).

Interest payments partially resulting from interest rate swaps designated by STADA as hedging instruments in cash flow hedges are not netted for each swap contract and are recognized as interest income or interest expense in the valuation category of the associated underlying hedged item. For the reporting period, this exclusively concerns financial liabilities which are valued at amortized costs.

Borrowing costs capitalized as part of the cost of qualifying assets amounted to € 0.7 million in financial year 2014 (previous year: € 0.5 million). A capitalization rate of 3.1% for intangible assets (previous year: 3.6%) was taken as a basis.

Other financial income and other financial expenses consist of the following:

in € 000s	2014	2013
<b>Other financial income . . . . .</b>	<b>3,591</b>	<b>3,381</b>
<i>thereof</i>		
• from the measurement of financial instruments . . . . .	3,591	3,381
<b>Other financial expenses . . . . .</b>	<b>—</b>	<b>—</b>
<i>thereof</i>		
• from the measurement of financial instruments . . . . .	—	—

The result from the measurement of financial instruments in the reporting period resulted from interest rate swaps and interest rate/currency swaps measured at fair value through profit or loss. There was a net relief on earnings in the amount of € 3.6 million before or € 3.6 million after taxes. In the previous year, there was a net relief on earnings from the measurement of derivative financial instruments in the amount of € 3.4 million before or € 2.5 million after taxes. The measurement of interest rate hedge transactions thereby depends on the development of the money market interest rate.

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Income taxes

Actual income taxes in the income statement relate to taxes in Germany and abroad as follows:

in € 000s	2014	2013 <sup>(1)</sup>
<b>Actual taxation</b> . . . . .	<b>46,032</b>	<b>66,388</b>
Germany . . . . .	872	314
Outside Germany . . . . .	45,160	66,074
<b>Deferred taxes</b> . . . . .	<b>8,554</b>	<b>102</b>
Germany . . . . .	12,046	-1,984
Outside Germany . . . . .	-3,492	2,086

The item income taxes includes taxes on income and earnings paid or owed in the individual countries as well as deferred taxes. Other taxes that cannot be meaningfully attributed to the sales, administration or research and development functions are included in Other expenses.

Actual income taxes can be divided according to timing as follows:

in € 000s	2014	2013 <sup>(1)</sup>
<b>Actual income taxes</b> . . . . .	<b>46,032</b>	<b>66,388</b>
Tax expense in the current period . . . . .	49,159	71,270
Tax expense from previous periods . . . . .	2,371	398
Tax income from previous periods . . . . .	5,498	5,280

The deferred taxes are as follows:

in € 000s	2014	2013 <sup>(1)</sup>
<b>Deferred taxes</b> . . . . .	<b>8,554</b>	<b>102</b>
from temporary differences . . . . .	10,726	9,933
from interest carryforwards . . . . .	—	—
from loss carryforwards . . . . .	-2,172	-9,831
from tax credits . . . . .	—	—
from others . . . . .	—	—

The income tax rate amounted to 43.8% for financial year 2014. The income tax rate in the previous year was 35.1%<sup>(1)</sup>.

The following overview explains how the income tax expense reported in the income statement was calculated from the expected income tax expense. The expected income tax expense is calculated by applying the weighted expected Group average tax rate on the earnings before taxes and takes into account for all domestic and foreign companies the respective tax rates depending on their applicable national and legal forms.

in € 000s	2014	2013 <sup>(1)</sup>
<b>Earnings before taxes</b> . . . . .	<b>124,694</b>	<b>189,301</b>
Weighted expected Group average tax rate (in %) . . . . .	23.3%	25.1%
<b>Expected income tax expense</b> . . . . .	<b>29,111</b>	<b>47,539</b>
<b>Adjustments to the expected income tax expense</b> . . . . .	<b>—</b>	<b>—</b>
Tax effects from non-deductible impairment on investments and goodwill . . . . .	9,635	1,872
Tax effects from loss carryforwards . . . . .	88	-1,119
Tax effects from previous years . . . . .	-3,127	-4,890
Effects from tax rate changes/deviation from Group tax rate . . . . .	899	-828
Tax effects from non-deductible expenses and tax-free earnings . . . . .	21,857	22,008
Other tax effects . . . . .	-3,877	1,908
<b>Income tax expense shown on the income statement</b> . . . . .	<b>54,586</b>	<b>66,490</b>
Effective tax rate (in %) . . . . .	43.8%	35.1%

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Income taxes (Continued)

Tax effects from non-deductible impairments of investment and goodwill hereby result mainly from impairments of goodwill in the market regions CIS/Eastern Europe and Asia/Pacific & MENA.

The expenses not deductible for tax purposes primarily result from the limited tax deductibility of operating expenses for payments in connection with investments.

The actual income taxes and deferred taxes recognized in the balance sheet were as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Income tax receivables . . . . .	30,711	24,836
Income tax liabilities . . . . .	33,726	30,569
in € 000s	Dec. 31, 2014	Dec. 31, 2013 <sup>(1)</sup>
Deferred tax assets . . . . .	49,409	50,618
Deferred tax liabilities . . . . .	166,699	150,440
Deferred taxes as of December 31 . . . . .	– 117,290	– 99,822
Difference compared to previous year . . . . .	– 17,468	– 63,111
thereof		
• recognized in income . . . . .	– 8,554	– 102
• recognized directly in equity . . . . .	6,344	– 940
• acquisitions/disposals/changes in the scope of consolidation . . . . .	– 11,257	– 62,630
• currency translation differences . . . . .	– 4,001	561

Deferred taxes result from the following balance sheet items and loss carryforwards:

in € 000s	Dec. 31, 2014 Deferred tax assets	Dec. 31, 2013 Deferred tax assets	Dec. 31, 2014 Deferred tax liabilities	Dec. 31, 2013 Deferred tax liabilities
Intangible assets . . . . .	1,811	1,976	147,438	137,599
Property, plant and equipment . . . . .	1,260	1,625	7,944	8,816
Financial assets . . . . .	1,704	1,545	21	0
Inventories . . . . .	16,835	14,437	2,110	3,645
Receivables . . . . .	12,036	6,210	370	748
Other assets . . . . .	1,309	4,668	8,869	2,574
Other non-current provisions . . . . .	4,540	8,659	172	98
Other provisions . . . . .	3,955	2,006	5,035	107
Liabilities . . . . .	299	5,206	4,808	5,424
Loss carryforwards . . . . .	15,728	12,857	—	—
<b>Total . . . . .</b>	<b>59,477</b>	<b>59,189</b>	<b>176,767</b>	<b>159,011</b>
Offsetting . . . . .	– 10,068	– 8,571	– 10,068	– 8,571
<b>Deferred taxes as per balance sheet . . . . .</b>	<b>49,409</b>	<b>50,618</b>	<b>166,699</b>	<b>150,440</b>

Deferred tax liabilities reported by STADA result, among other things, from deferred taxes in the context of purchase price allocations carried out under IFRS 3. Deferred tax liabilities increased as compared to the previous year primarily as a result of the acquisition of the British company Internis.

Tax advantages that are highly probable and expected from the future utilization of tax loss carryforwards are recognized under “Deferred taxes from loss carryforwards”.

Tax loss carryforwards are only capitalized if their future utilization is highly probable. Tax loss carryforwards capitalized as of the December 31, 2014 reporting date amounted to € 60.1 million in financial year 2014 (previous year: € 54.0 million).

The deduction of operating expenses for interest, which is limited under German tax law (so-called interest barrier), led to no net interest expense not deductible for tax purposes in 2014 (previous year: € 25.2 million) and therefore to no additional tax burden (previous year: € 6.1 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Income taxes (Continued)

Income taxes paid or owed increased by a total of € 0.1 million (previous year: reduction by € 1.1 million) through the utilization of previously unrecognized tax loss carryforwards from previous years for which no deferred taxes have been recognized so far and through tax loss carryforwards from the current financial year for which no deferred taxes have been recognized.

The future usable tax loss carryforwards are listed in the following chart according to their expiry date:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Loss carryforward expiry date within		
• 1 year . . . . .	—	465
• 2 years . . . . .	1,427	532
• 3 years . . . . .	—	635
• 4 years . . . . .	779	—
• 5 years . . . . .	0	—
• more than 5 years . . . . .	1,062	5,352
• unlimited carryforward . . . . .	56,836	46,996

No deferred taxes were recognized for the following loss carryforwards and temporary differences as it is not probable that they will be realized in the foreseeable future:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Loss carryforward expiry date within		
• 1 year . . . . .	—	243
• 2 years . . . . .	1,163	278
• 3 years . . . . .	—	332
• 4 years . . . . .	—	—
• 5 years . . . . .	—	—
• more than 5 years . . . . .	—	—
• unlimited carryforward . . . . .	14,955	780
Temporary differences . . . . .	—	814

### 21. Income distributable to non-controlling interests

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Earnings after taxes . . . . .	70,108	122,811
• thereof distributable to shareholders of STADA Arzneimittel AG (net income) .	64,562	121,426
• thereof distributable to non-controlling interests . . . . .	5,546	1,385

Net income relating to non-controlling interests pertains to the subsidiaries STADA Thailand, STADA Import/Export International, STADA Vietnam J.V., Pymepharco, STADA Pharmaceuticals (Beijing) Ltd., Hemomont and Hemofarm Banja Luka.

### 22. Earnings per share

The basic and diluted earnings per share are as follows:

Basic earnings per share	2014	2013
Net income (in € 000s) . . . . .	64,562	121,426
Adjustment . . . . .	—	—
<b>Adjusted net income (basic) (in € 000s) . . . . .</b>	<b>64,562</b>	<b>121,426</b>
Average number of registered shares with restricted transferability issued (in unit shares) . . . . .	60,499,412	59,664,983
Average number of treasury shares (in unit shares) . . . . .	90,911	93,024
<b>Adjusted average number of shares (basic) (in unit shares) . . . . .</b>	<b>60,408,501</b>	<b>59,571,959</b>
<b>Basic earnings per share (in €) . . . . .</b>	<b>1.07</b>	<b>2.04</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Earnings per share (Continued)

Basic earnings per share are calculated by dividing the adjusted net income distributable to the shareholders of STADA Arzneimittel AG by the time-weighted average number of registered shares with restricted transferability outstanding.

<u>Diluted earnings per share</u>	<u>2014</u>	<u>2013</u>
Adjusted net income (basic) (in € 000s) . . . . .	64,562	121,426
Dilutive effects on profit from share options (after taxes) (in € 000s) . . . . .	—	—
<b>Adjusted net income (diluted) (in € 000s) . . . . .</b>	<b>64,562</b>	<b>121,426</b>
Adjusted average number of shares (in unit shares) . . . . .	60,408,501	59,571,959
Potentially diluting shares from share options (in unit shares) . . . . .	860,909	998,668
<b>Average number of shares (diluted) (in unit shares) . . . . .</b>	<b>61,269,410</b>	<b>60,570,627</b>
<b>Diluted earnings per share (in €) . . . . .</b>	<b>1.05</b>	<b>2.00</b>

Diluted earnings per share are generally calculated with the formula used to calculate the basic earnings per share. They are also adjusted for the effect of outstanding share options on the basis of the average share price of the financial year. This is carried out based on the assumption that all potentially dilutive share options are exercised. Details on currently valid equity instruments are included in the notes on equity.

### 23. Number of employees and personnel expenses

The average number of employees at STADA by functional area and functional sub-area is as follows:

	<u>2014</u>	<u>2013<sup>(1)</sup></u>
Marketing/Sales . . . . .	2,938	2,768
Logistics . . . . .	400	343
Finance/IT . . . . .	670	636
Production/Quality management <sup>(2)</sup> . . . . .	4,442	3,353
Procurement/Supply chain . . . . .	311	296
Product development . . . . .	571	524
Administration <sup>(2)</sup> . . . . .	877	921
<b>Entire Group . . . . .</b>	<b>10,209</b>	<b>8,841</b>
<b>Personnel expenses (in € million) . . . . .</b>	<b>305.1</b>	<b>319.6</b>

The average number of employees in the reporting year was above the level of the previous year at 10,209 (previous year<sup>(1)</sup>: 8,841). This increase was mainly based on the acquisition of the British OTC supplier Thornton & Ross as of September 1, 2013 and the control achieved over STADA Vietnam as of October 10, 2013. Furthermore, the inclusion of STADA Pharmaceuticals (Beijing) Ltd., China, in the scope of consolidation as of January 1, 2014 and an increase in the number of employees at the Serbian Hemofarm A.D. as a consequence of increased production capacities contributed to this development. On the balance sheet date, the STADA Group's number of employees in 2014 totaled 10,363 (previous year: 9,825).

Personnel expenses, which are included in expenses of the individual functional areas according to their functional relevance, decreased in financial year 2014 to € 305.1 million (previous year<sup>(1)</sup>: € 319.6 million). The decrease was a result of earnings recorded within personnel expenses from past service cost in connection with a change in the defined benefit plan for the Chairman of the Executive Board and the resulting changes with regard to the benefits awarded according to the former benefit plan.

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

(2) In 2013, facility management staff were placed exclusively into the functional area Administration. In 2014, facility management staff in production were allocated to the functional area Production/Quality management and the remaining facility management staff were assigned to the functional area Administration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses are included in expenses of the individual functional areas according to their functional relevance and can be attributed to intangible assets, property, plant and equipment as follows:

in € 000s	2014	2013 <sup>(1)</sup>
<b>Depreciation / amortization</b> . . . . .	<b>120,990</b>	<b>107,122</b>
Intangible assets . . . . .	87,694	78,130
Property, plant and equipment . . . . .	33,296	28,992
<b>Impairment losses</b> . . . . .	<b>107,531</b>	<b>23,617</b>
Intangible assets . . . . .	104,781	22,626
<i>thereof:</i>		
• Goodwill . . . . .	59,808	—
Property, plant and equipment . . . . .	136	71
<i>thereof:</i>		
• land and buildings . . . . .	136	—
• other fixtures and fittings, tools and equipment . . . . .	—	71
Financial assets . . . . .	2,614	920
<i>thereof:</i>		
• investments . . . . .	2,614	920

The impairment of intangible assets concerns various drug approvals and trademarks.

The impairments on goodwill recorded in financial year 2014 relate to goodwill of the market region CIS/Eastern Europe as well as of the market region Asia/Pacific & MENA.

The impairments of financial assets in the reporting year primarily relate to the carrying amounts of STADApHarm AB in Sweden. These impairments in the previous year primarily related to the carrying amounts of IIP Institut für Industrielle Pharmazie Forschungs- und Entwicklungsgesellschaft mbH and STADA Pharmaceuticals Australia Pty Ltd.

Depreciation and amortization increased by 12.9% compared to the previous year. More information on amortization, depreciation and impairment losses is included in the Notes on non-current assets.

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Notes to the Consolidated Balance Sheet

#### 25. Intangible assets

Intangible assets developed as follows in financial year 2014:

2014 in € 000s	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Payments made and capitalized development costs for current projects	Total
<b>Cost as of Jan. 1, 2014</b> . . . . .	<b>1,619,982</b>	<b>470,770</b>	<b>160,209</b>	<b>2,250,961</b>
Currency translation . . . . .	– 37,342	– 34,756	– 5,282	– 77,380
Changes in the scope of consolidation . . . . .	—	—	—	—
Additions . . . . .	113,366	825	41,317	155,508
Additions from business combinations according to IFRS 3 . . . . .	36,691	9,035	39,796	85,522
Disposals . . . . .	16,160	—	701	16,861
Transfers . . . . .	28,218	—	– 28,218	0
<b>Cost as of Dec. 31, 2014</b> . . . . .	<b>1,744,755</b>	<b>445,874</b>	<b>207,121</b>	<b>2,397,750</b>
<b>Accumulated amortization as of Jan. 1, 2014</b> . . . . .	<b>539,239</b>	<b>12,776</b>	<b>57,323</b>	<b>609,338</b>
Currency translation . . . . .	– 24,293	987	– 2,146	– 25,452
Changes in the scope of consolidation . . . . .	—	—	—	—
Amortization . . . . .	87,694	—	—	87,694
Impairment losses . . . . .	42,366	59,808	2,607	104,781
Disposals . . . . .	10,057	—	70	10,127
Write-ups . . . . .	—	—	—	—
Transfers . . . . .	574	—	– 574	0
<b>Accumulated amortization as of Dec. 31, 2014</b> . . . . .	<b>635,523</b>	<b>73,571</b>	<b>57,140</b>	<b>766,234</b>
<b>Residual carrying amounts as of Dec. 31, 2014</b> . . . . .	<b>1,109,232</b>	<b>372,303</b>	<b>149,981</b>	<b>1,631,516</b>
<b>Residual carrying amounts as of Dec. 31, 2013</b> . . . . .	<b>1,080,743</b>	<b>457,994</b>	<b>102,886</b>	<b>1,641,623</b>

Additions from business combinations according to IFRS 3, which relate to the fair values determined in the context of the purchase price allocations, resulted from the acquisition of the British OTC supplier Internis with € 72.7 million, as well as from the purchase of the branded product portfolio Flexitol® with € 12.8 million.

Included in intangible assets in the previous year were software and software licenses in the amount of € 2.6 million, which were recognized with the present value of the minimum lease payments in accordance with IAS 17 in the context of a sale-and-leaseback transaction and which have been amortized on schedule. At the end of the term of the lease contract, an existing purchase option was utilized. The respective assets have been fully amortized as of the balance sheet date of December 31, 2014.

The umbrella brand Hemofarm capitalized in 2006 in the context of the acquisition of the Hemofarm group is included in recognized trademarks as an intangible asset with an indefinite useful life, as STADA intends to make continuing use of it. As at December 31, 2014, it has a carrying amount of € 47.6 million (previous year: € 50.2 million). The change compared to the previous year figure is a result of different exchange rates. In the context of the impairment test of December 31, 2014, a royalty rate of 2% and a discount rate of 14.2% was used. No necessity for impairment was found for the reporting year.

In the context of the control achieved over Pymepharco in the previous year, furthermore, the umbrella brand Pymepharco was capitalized as an intangible asset with an indefinite useful life as a trademark, as STADA intends to continue the utilization of the trademark. As at December 31, 2014, it has a carrying amount of € 9.1 million (previous year: € 8.0 million). The change is a result of different exchange rates. In the context of the impairment test of December 31, 2014, a royalty rate of 2% and a discount rate of 16.5% was used. No necessity for impairment was found for the reporting year.

Borrowing costs capitalized in 2014 for intangible assets and directly attributable to the acquisition or the production of a qualifying asset amounted to € 0.7 million (previous year: € 0.5 million). In financial year

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 25. Intangible assets (Continued)

2014, the capitalization rate taken as a basis for determining borrowing costs eligible for capitalization was 3.1% (previous year: 3.6%).

Development costs of € 28.7 million were capitalized in the reporting year (previous year: € 20.7 million). Capitalized development costs consist mainly of costs that can be allocated to the projects, such as the costs of individuals working in development, material costs and external services, together with directly allocable overhead costs. Internally created intangible assets are amortized on a straight-line basis over their useful life, generally 20 years. STADA immediately recognizes development costs that do not qualify for capitalization as expense in the period in which they are incurred (see Note 15.). In financial year 2014, these development costs amounted to € 56.9 million (previous year<sup>(1)</sup>: € 55.5 million).

Amortization on intangible assets mainly relates to regulatory drug approvals as well as trademarks and is recognized in the income statement primarily under cost of sales. In the reporting year, this related to an amount of € 87.7 million (previous year<sup>(1)</sup>: € 78.1 million).

In financial year 2014, impairments on intangible assets were recognized in the total amount of € 104.8 million (previous year: € 22.6 million). They mainly include impairment on goodwill in the amount of € 54.0 million and additional intangible assets in the amount of € 22.0 million as a result of the significantly changed interest rate and currency environment as well as on ongoing higher risks in the market region CIS/Eastern Europe.

Details on changes in the scope of consolidation can be found in the note on the scope of consolidation (see Note 5.).

Intangible assets developed as follows in the previous year:

2013 <sup>(1)</sup> in € 000s	Regulatory drug approvals, trademarks, customer relationships, software, licenses and similar rights	Goodwill	Payments made and capitalized development costs for current projects	Total
<b>Cost as of Jan. 1, 2013</b> . . . . .	<b>1,309,293</b>	<b>468,926</b>	<b>160,322</b>	<b>1,938,541</b>
Currency translation . . . . .	– 24,083	– 16,828	– 1,638	– 42,549
Changes in the scope of consolidation . . . . .	—	—	—	—
Additions . . . . .	21,191	—	29,207	50,398
Additions from business combinations according to IFRS 3 . . . . .	287,360	18,672	6,535	312,567
Disposals . . . . .	6,688	—	1,625	8,313
Transfers . . . . .	32,909	—	– 32,592	317
<b>Cost as of Dec. 31, 2013</b> . . . . .	<b>1,619,982</b>	<b>470,770</b>	<b>160,209</b>	<b>2,250,961</b>
<b>Accumulated amortization as of Jan. 1, 2013</b> . . .	<b>459,145</b>	<b>13,153</b>	<b>49,192</b>	<b>521,490</b>
Currency translation . . . . .	– 7,185	– 377	– 405	– 7,967
Changes in the scope of consolidation . . . . .	—	—	—	—
Amortization . . . . .	78,130	—	—	78,130
Impairments . . . . .	13,425	—	9,201	22,626
Disposals . . . . .	4,380	—	15	4,395
Write-ups . . . . .	546	—	—	546
Transfers . . . . .	650	—	– 650	—
<b>Accumulated amortization as of Dec. 31, 2013</b> . .	<b>539,239</b>	<b>12,776</b>	<b>57,323</b>	<b>609,338</b>
<b>Residual carrying amounts as of Dec. 31, 2013</b> . .	<b>1,080,743</b>	<b>457,994</b>	<b>102,886</b>	<b>1,641,623</b>
<b>Residual carrying amounts as of Dec. 31, 2012</b> . .	<b>850,148</b>	<b>455,773</b>	<b>111,130</b>	<b>1,417,051</b>

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 25. Intangible assets (Continued)

The following amortization expense is expected for the intangible assets in the next five years:

in € 000s	Expected amortization
2015 .....	85,178
2016 .....	86,688
2017 .....	87,287
2018 .....	87,546
2019 .....	86,650

The subsequent chart shows which cash-generating units the capitalized goodwill can be attributed to:

in € million	Residual carrying amount Generics segment Dec. 31, 2014	Residual carrying amount Branded Products segment Dec. 31, 2014	Residual carrying amount Commercial Business segment Dec. 31, 2014	Residual carrying amount Total Dec. 31, 2014
Market region Germany .....	12.4	15.1	—	27.5
Market region Central Europe .....	126.8	97.1	0.0	223.9
Market region CIS/Eastern Europe .	31.9	66.5	—	98.4
Market region Asia/Pacific & MENA	11.5	10.2	0.8	22.5
<b>Total</b> .....	<b>182.6</b>	<b>188.9</b>	<b>0.8</b>	<b>372.3</b>

In the previous year, the capitalized goodwill for cash-generating units was as follows:

in € million	Residual carrying amount Generics segment Dec. 31, 2013	Residual carrying amount Branded Products segment Dec. 31, 2013	Residual carrying amount Commercial Business segment Dec. 31, 2013	Residual carrying amount Total Dec. 31, 2013
Market region Germany .....	12.4	15.6	—	28.0
Market region Central Europe .....	125.7	96.6	0.0	222.3
Market region CIS/Eastern Europe .	100.7	91.6	—	192.3
Market region Asia & Pacific .....	9.6	5.1	0.7	15.4
<b>Total</b> .....	<b>248.4</b>	<b>208.9</b>	<b>0.7</b>	<b>458.0</b>

For the purposes of impairment tests for capitalized goodwill, STADA defines cash-generating units as the respective market regions within the operating segments in accordance with the strategic planning and control of the Group.

In comparison with the previous year, there were the following significant changes in the carrying amounts of goodwill:

- The increase in goodwill of the cash-generating unit market region Central Europe, Branded Products segment, resulted from the acquisition of the British company Internis. In opposition, the reclassification of goodwill to the market region Asia/Pacific & MENA, Branded Products segment, due to a change in management responsibility that resulted from a strategic reallocation led to a reduction in goodwill.
- The decrease in goodwill of the cash-generating unit market region CIS/Eastern Europe, Generics segment, mainly results from the necessity for impairment in the amount of € 54.0 million as of December 31, 2014 resulting from an extraordinary impairment test carried out in the reporting year. The impairment resulted from the aggravation of the economic situation in Russia at the end of the year, with a massive decline of the Russian ruble and a significant interest increase by the Russian central bank. The update of the parameters that derived from it, particularly of currency relations, interest rates and country risks for market conditions as of December 31, 2014 led to a value in use of € 375.4 million, which was below the carrying amount. The additional reduction in goodwill results from exchange rates changes, in particular from a devaluation of the Russian ruble.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 25. Intangible assets (Continued)

- The decrease in goodwill of the cash-generating unit market region CIS/Eastern Europe, Branded Products segment, fully results from exchange rate changes, particularly from a devaluation of the Russian ruble.
- The increase in goodwill of the cash-generating unit market region Asia/Pacific & MENA, Branded Products segment, results from the reclassification of goodwill from the market region Central Europe, Branded Products segment, due to a change in management responsibility that resulted from a strategic reallocation. In opposition, an impairment in the amount of € 5.8 million resulted from the impairment tests carried out in the reporting year due to existing knowledge and expectations related to the market and competitive environment. The value in use of the cash-generating unit as of September 30, 2014 was at € 70.1 million.

In the context of the regular impairment tests for capitalized goodwill of September 30, 2014, the discounted cash flow method is used to determine anticipated cash inflows, applying the following parameters defined for the individual cash-generating units according to segment:

Each relating to segments, defined as cash-generating units	Growth rates of forward-projection phase 2014 in %	WACCs 2014 Generics segment in %	WACCs 2014 Branded Products segment in %	WACCs 2014 Commercial Business segment in %
Market region Germany . . . . .	1.7%	8.8%	8.9%	—
Market region Central Europe . . . . .	1.7%	11.1%	10.9%	—
Market region CIS/Eastern Europe . . . . .	4.0%	16.1%	16.0%	—
Market region Asia/Pacific & MENA . . . . .	4.2%	20.2%	20.2%	20.6%

In the previous year, the applied parameters were as follows:

Each relating to segments, defined as cash-generating units	Growth rates of forward-projection phase 2013 in %	WACCs 2013 Generics segment in %	WACCs 2013 Branded Products segment in %	WACCs 2013 Commercial Business segment in %
Market region Germany . . . . .	1.9%	8.9%	9.4%	—
Market region Central Europe . . . . .	1.9%	11.2%	11.0%	—
Market region CIS/Eastern Europe . . . . .	5.2%	15.5%	15.1%	—
Market region Asia & Pacific . . . . .	6.2%	22.1%	22.0%	23.4%

The discounted cash flow method is used to determine the value in use of the cash-generating units, applying an individual interest rate for each cash-generating unit and a detailed planning period of three years. This detailed planning period reflects the assumptions for short and mid-term market developments. For the period after this three-year detailed planning horizon, a specific estimated growth rate in the amount of the expected long-term inflation rate is assumed. The detailed planning period for the determination of the value in use is based on assumptions in light of past experience supplemented by current internal developments and verified through external market data and analyses. The most important assumptions include the development of future sales prices, amounts and costs, the influence of the regulatory market environment, investments, market shares, exchange rates and growth rates. Significant changes to the above-described assumptions would influence the determination of the value in use of the cash-generating units. Possible changes to these assumptions would negatively influence the cash-generating units as a result of continued strong competition and regulatory interventions. The discount rates applied are determined on the basis of external factors derived from the market and adjusted for the respective predominant risks of the cash-generating units.

Changes in the calculation parameters used for the impairment tests may influence the fair values of cash-generating units. The following table shows what additional impairments would have come for the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 25. Intangible assets (Continued)

different cash-generating units as a result of a 1.0 percentage point higher discount rate, a decrease in the growth rate of 0.5 percentage points and a decrease in EBIT of 10.0 percentage points:

Generics segment sensitivity analysis Effects on impairment in € million	WACC +1.0 percentage points	Growth rate – 0.5 percentage points	EBIT – 10.0 percentage points
Market region Germany . . . . .	—	—	—
Market region Central Europe . . . . .	—	—	—
Market region Asia/Pacific & MENA . . . . .	0.6	—	2.6
Branded Products segment sensitivity analysis Effects on impairment in € million	WACC +1.0 percentage points	Growth rate – 0.5 percentage points	EBIT – 10.0 percentage points
Market region Germany . . . . .	—	—	—
Market region Central Europe . . . . .	—	—	—
Market region Asia/Pacific & MENA . . . . .	4.2	1.7	5.6

For the Commercial Business segment, there would have been no impairment in any of the market regions as a result of the sensitivity analysis.

With a reduction in discount rates of 1.0 percentage points, an increase in the growth rate of 0.5 percentage points and an increase in EBIT of 10.0 percentage points, there would have been the following lower impairments.

Branded Products segment sensitivity analysis Effects on impairment in € million	WACC – 1.0 percentage points	Growth rate + 0.5 percentage points	EBIT + 10.0 percentage points
Market region Germany . . . . .	—	—	—
Market region Central Europe . . . . .	—	—	—
Market region CIS/Eastern Europe . . . . .	—	—	—
Market region Asia/Pacific & MENA . . . . .	– 3.8	– 0.9	– 4.7

Due to the massive decline of the Russian ruble since the fourth quarter 2014 and a significant increase of interest rates by the Russian central bank in December 2014, there were indications for an impairment. For this reason, an extraordinary impairment test was carried out for the cash-generating unit market region CIS/Eastern Europe, Generics segment, and for the cash-generating unit market region CIS/Eastern Europe, Branded Products segment, as of December 31, 2014. The parameters used to determine the value in use in the scope of the regular impairment test as of September 30, 2014 were updated, particularly regarding currency relations, interest rates as well as country risks for current market conditions, as of the new balance sheet date.

The discounted cash flow method was used to determine the anticipated cash inflows, applying the following parameters defined for the individual cash-generating units according to segment:

According to segment, defined as cash-generating unit	Growth rates forward projected phase 2014 in %	WACCs 2014 Generics segment in %	WACCs 2014 Branded Products segment in %	WACCs 2014 Commercial Business segment in %
Market region CIS/ Eastern Europe . . . . .	4.0	16.7	16.7	—

Changes in the calculation parameters used for the impairment tests may influence the fair values of cash-generating units. The following table shows what additional impairments would have come for the market region CIS/Eastern Europe as a result of a 1.0 percentage point higher discount rate, a decrease in the growth rate of 0.5 percentage points and a decrease in EBIT of 10.0 percentage points:

Sensitivity analysis market region CIS/Eastern Europe Effect on impairment in € million	WACC +1.0 percentage points	Growth rates – 0.5 percentage points	EBIT – 10.0 percentage points
Generics segment . . . . .	37.4	11.9	48.0
Branded Products segment . . . . .	—	—	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 25. Intangible assets (Continued)

The following table shows what lower impairments would have come for the market region CIS/Eastern Europe as a result of a 1.0 percentage point lower discount rate, an increase in the growth rate of 0.5 percentage points and an increase in EBIT of 10.0 percentage points:

Sensitivity analysis market region CIS/Eastern Europe Effect on impairment in € million	WACC – 1.0 percentage points	Growth rates +0.5 percentage points	EBIT +10.0 percentage points
Generics segment . . . . .	– 45.8	– 13.1	– 48.0
Branded Products segment . . . . .	—	—	—

### 26. Property, plant and equipment

Property, plant and equipment developed as follows in financial year 2014:

2014 in € 000s	Land, leasehold rights and buildings including buildings on third-party land	Plant and tools and machinery equipment	Other fixtures and fittings, tools and equipment	Advance payment and construction in progress	Total
<b>Cost as of Jan. 1, 2014 . . . . .</b>	<b>260,684</b>	<b>199,611</b>	<b>105,510</b>	<b>19,166</b>	<b>584,971</b>
Currency translation . . . . .	– 10,478	– 15,583	– 7,282	– 2,577	– 35,920
Changes in the scope of consolidation . . . .	4,449	556	204	—	5,209
Additions . . . . .	1,143	7,790	4,284	24,653	37,870
Additions from business combinations					
according to IFRS 3 . . . . .	—	68	10	—	78
Disposals . . . . .	8,393	1,101	4,503	74	14,071
Reclassification from non-current assets					
held for sale and disposal groups . . . . .	1,141	—	—	—	1,141
Transfers . . . . .	6,520	11,636	1,742	– 19,898	0
<b>Cost as of Dec. 31, 2014 . . . . .</b>	<b>255,066</b>	<b>202,977</b>	<b>99,965</b>	<b>21,270</b>	<b>579,278</b>
<b>Accumulated depreciation as of Jan. 1, 2014 . . . . .</b>	<b>88,107</b>	<b>115,832</b>	<b>62,604</b>	<b>—</b>	<b>266,543</b>
Currency translation . . . . .	– 3,570	– 11,104	– 3,360	—	– 18,034
Changes in the scope of consolidation . . . .	—	—	—	—	—
Depreciation . . . . .	7,287	15,364	10,645	—	33,296
Impairments . . . . .	136	—	—	—	136
Disposals . . . . .	3,330	1,049	3,714	—	8,093
Write-ups . . . . .	—	—	—	—	—
Reclassification from non-current assets					
held for sale and disposal groups . . . . .	—	—	—	—	—
Transfers . . . . .	108	106	– 214	—	0
<b>Accumulated depreciation as of Dec. 31, 2014 . . . . .</b>	<b>88,738</b>	<b>119,149</b>	<b>65,961</b>	<b>—</b>	<b>273,848</b>
<b>Residual carrying amounts as of Dec. 31, 2014 . . . . .</b>	<b>166,328</b>	<b>83,828</b>	<b>34,004</b>	<b>21,270</b>	<b>305,430</b>
<b>Residual carrying amounts as of Dec. 31, 2013 . . . . .</b>	<b>172,577</b>	<b>83,779</b>	<b>42,906</b>	<b>19,166</b>	<b>318,428</b>

Property, plant and equipment included assets from finance leases, primarily relating to cars and vehicles, in the amount of € 1.5 million (previous year: € 5.8 million), which, in accordance with IAS 17, were recognized at the present value of minimum lease payments and have since been subjected to depreciation.

As in the previous year, no borrowing costs were capitalized in financial year 2014 for property, plant and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 26. Property, plant and equipment (Continued)

Property, plant and equipment developed as follows in the previous year:

<b>2013<sup>(1)</sup> in € 000s</b>	<b>Land, leasehold rights and buildings including buildings on third-party land</b>	<b>Plant and tools and machinery equipment</b>	<b>Other fixtures and fittings, tools and equipment</b>	<b>Advance payment and construction in progress</b>	<b>Total</b>
<b>Cost as of Jan. 1, 2013</b>	<b>231,635</b>	<b>169,813</b>	<b>93,086</b>	<b>13,896</b>	<b>508,430</b>
Currency translation	– 5,270	– 6,103	– 2,747	– 1,061	– 15,181
Changes in the scope of consolidation	—	—	—	—	—
Additions	4,043	5,697	6,572	27,013	43,325
Additions from business combinations					
according to IFRS 3	22,706	23,578	6,807	912	54,003
Disposals	439	899	3,719	232	5,289
Reclassification to non-current assets held for sale and disposal groups	—	—	—	—	—
Transfers	8,009	7,525	5,511	– 21,362	– 317
<b>Cost as of Dec. 31, 2013</b>	<b>260,684</b>	<b>199,611</b>	<b>105,510</b>	<b>19,166</b>	<b>584,971</b>
<b>Accumulated depreciation as of Jan. 1, 2013</b>	<b>73,840</b>	<b>107,776</b>	<b>57,453</b>	<b>—</b>	<b>239,069</b>
Currency translation	– 1,428	– 3,838	– 1,312	—	– 6,578
Changes in the scope of consolidation	—	—	—	—	—
Depreciation	6,790	12,837	9,365	—	28,992
Impairments	8,851	—	71	—	8,922
Disposals	97	792	2,973	—	3,862
Write-ups	—	—	—	—	—
Reclassification to non-current assets held for sale and disposal groups	—	—	—	—	—
Transfers	151	– 151	—	—	—
<b>Accumulated depreciation as of Dec. 31, 2013</b>	<b>88,107</b>	<b>115,832</b>	<b>62,604</b>	<b>—</b>	<b>266,543</b>
<b>Residual carrying amounts as of Dec. 31, 2013</b>	<b>172,577</b>	<b>83,779</b>	<b>42,906</b>	<b>19,166</b>	<b>318,428</b>
<b>Residual carrying amounts as of Dec. 31, 2012</b>	<b>157,795</b>	<b>62,037</b>	<b>35,633</b>	<b>13,896</b>	<b>269,361</b>

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 27. Financial assets

Financial assets developed as follows in financial year 2014:

2014 in € 000s	Shares in associated companies and other investments	Other financial assets	Total
<b>Cost as of Jan. 1, 2014</b> . . . . .	<b>26,956</b>	<b>14</b>	<b>26,970</b>
Currency translation . . . . .	– 630	—	– 630
Changes in the scope of consolidation . . . . .	– 4,397	—	– 4,397
Additions . . . . .	65	—	65
Disposals . . . . .	3,135	14	3,149
Reclassification from non-current assets held for sale and disposal groups . . . . .	—	—	—
Transfers . . . . .	—	—	—
<b>Cost as of Dec. 31, 2014</b> . . . . .	<b>18,859</b>	<b>—</b>	<b>18,859</b>
<b>Accumulated impairments as of Jan. 1, 2014</b> . . . . .	<b>17,976</b>	<b>3</b>	<b>17,979</b>
Currency translation . . . . .	– 656	—	– 656
Changes in the scope of consolidation . . . . .	—	—	—
Impairments . . . . .	2,622	—	2,622
Disposals . . . . .	3,119	3	3,122
Write-ups . . . . .	—	—	—
Reclassification from non-current assets held for sale and disposal groups . . . . .	—	—	—
Transfers . . . . .	—	—	—
<b>Accumulated impairments as of Dec. 31, 2014</b> . . . . .	<b>16,823</b>	<b>—</b>	<b>16,823</b>
<b>Residual carrying amounts as of Dec 31, 2014</b> . . . . .	<b>2,036</b>	<b>—</b>	<b>2,036</b>
<b>Residual carrying amounts as of Dec 31, 2013</b> . . . . .	<b>8,980</b>	<b>11</b>	<b>8,991</b>

Financial assets are primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices. There is currently no intention to sell these financial assets. Held-to-maturity financial investments were included under other financial assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 27. Financial assets (Continued)

Financial assets developed as follows in the previous year:

2013 in € 000s	Shares in associated companies and other investments	Other financial assets	Total
<b>Cost as of Jan. 1, 2013</b>	<b>27,446</b>	<b>3,063</b>	<b>30,509</b>
Currency translation	– 323	– 131	– 454
Changes in the scope of consolidation	215	—	215
Additions	709	—	709
Disposals	1,091	—	1,091
Reclassification from non-current assets held for sale and disposal groups	—	—	—
Transfers	—	– 2,918	– 2,918
<b>Cost as of Dec. 31, 2013</b>	<b>26,956</b>	<b>14</b>	<b>26,970</b>
<b>Accumulated impairments as of Jan. 1, 2013</b>	<b>18,043</b>	<b>3</b>	<b>18,046</b>
Currency translation	– 311	—	– 311
Changes in the scope of consolidation	—	—	—
Impairments	920	—	920
Disposals	676	—	676
Write-ups	—	—	—
Reclassification from non-current assets held for sale and disposal groups	—	—	—
Transfers	—	—	—
<b>Accumulated impairments as of Dec. 31, 2013</b>	<b>17,976</b>	<b>3</b>	<b>17,979</b>
<b>Residual carrying amounts as of Dec. 31, 2013</b>	<b>8,980</b>	<b>11</b>	<b>8,991</b>
<b>Residual carrying amounts as of Dec. 31, 2012</b>	<b>9,403</b>	<b>3,060</b>	<b>12,463</b>

### 28. Investments measured at equity

The disclosure relates to the accounting of shares in the associated companies BIOCEUTICALS Arzneimittel AG, as well as Pharm Ortho Pedic SAS and AELIA SAS, using the equity method. Investments measured at equity developed as follows in financial year 2014 compared with the previous year:

in € 000s	2014	2013 <sup>(1)</sup>
<b>As of Jan. 1</b>	<b>8,974</b>	<b>44,042</b>
Increase in investment share	—	—
Reclassifications due to the changed status of Pymepharco and STADA Vietnam	—	– 38,431
Result from associates	1,595	3,700
Elimination of dividend income	—	—
Currency translation differences	—	– 337
<b>As of Dec. 31</b>	<b>10,569</b>	<b>8,974</b>

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

In the previous year, investments in associates decreased due to the control achieved as of January 1, 2013 of the subsidiary Pymepharco, which was previously included in the consolidated financial statements as an associated company and has been consolidated as a subsidiary as of 2013. In addition, the decrease in financial year 2013 resulted from the control achieved over Vietnamese company STADA Vietnam, which—in the context of the retrospective adjustments carried out in accordance with the new standard IFRS 11—was measured at equity up until the time control was acquired and has been consolidated as a subsidiary since the fourth quarter of 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29. Trade accounts receivable

Trade accounts receivable are composed as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Trade accounts receivable from third parties . . . . .	619,433	717,551
Trade accounts receivable from non-consolidated companies . . . . .	791	134
Valuation allowances vis-à-vis third parties . . . . .	– 117,430	– 126,007
<b>Total . . . . .</b>	<b><u>502,794</u></b>	<b><u>591,678</u></b>

As of December 31, 2014, there are trade accounts receivable due after one year in the amount of € 1.4 million (previous year: none).

Collateral exists for a portion of trade accounts receivable whose value was not impaired in the form of mortgages, bank or corporate guarantees, assignments of receivables as well as pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

The following non-impaired trade accounts receivable were past due at the balance sheet date:

in € 000s	Carrying amount	thereof: neither impaired nor past due as at the balance sheet date	thereof: not impaired as at the balance sheet date and past due in the following time periods:			
			up to 30 days	between 31 and 90 days	between 91 and 180 days	more than 180 days
Dec. 31, 2014 . . . . .	502,794	448,358	25,619	19,905	5,569	3,343
Dec. 31, 2013 . . . . .	591,678	508,035	36,564	22,590	8,836	15,653

There were no recognizable indications as of the balance sheet date that the debtors would not meet their payment obligations. Therefore, the trade accounts receivable which are not impaired and not past due are considered to be unconditionally recoverable. There are also no indications of impairment for the overdue receivables that have not been impaired.

Overall, valuation allowances on trade accounts receivable developed as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013 <sup>(1)</sup>
<b>As of Jan. 1 . . . . .</b>	<b>126,007</b>	<b>125,068</b>
Added . . . . .	9,796	8,115
Utilized . . . . .	9,037	2,971
Reversed . . . . .	2,625	1,585
Changes in the scope of consolidation . . . . .	—	278
Currency translation differences . . . . .	– 6,711	– 2,898
<b>As of Dec. 31 . . . . .</b>	<b><u>117,430</u></b>	<b><u>126,007</u></b>

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Other financial assets

Other financial assets are composed as follows:

in € 000s	Dec. 31, 2014		Dec. 31, 2013	
	Total	thereof: current	Total	thereof: current
Loan receivables . . . . .	4,882	4,882	16,755	1,042
Outstanding purchase price receivables . . . . .	2,870	1,810	4,025	3,347
Derivative financial assets . . . . .	33,250	29,551	10,520	10,204
Available-for-sale financial assets . . . . .	29	29	46	46
Other financial assets . . . . .	57,641	50,671	46,535	35,457
<b>Total . . . . .</b>	<b>98,672</b>	<b>86,943</b>	<b>77,881</b>	<b>50,096</b>

Loans primarily include loans granted by STADA Arzneimittel AG to BIOCEUTICALS Arzneimittel AG. As of the balance sheet date, € 3.3 million (previous year: € 15.6 million) of the available credit line facility had been used.

The outstanding purchase price receivables in financial year 2014 and also primarily in the previous year relate to the still outstanding installments from the sale of a product portfolio in Italy.

The derivative financial assets include the positive market values of cross-currency swaps as well as of currency futures contracts (see Note 47.7.). Available-for-sale financial assets are shares that are measured at fair value based on market prices.

The remaining financial assets include accruals for price compensations in connection with tender contracts in the amount of € 36.6 million, receivables from the German factoring business in the amount of € 6.2 million and also comprise many insignificant individual items in the Group companies.

As of December 31, 2014, other financial assets include impairments in the amount of € 0.6 million (previous year: € 0.0 million). There are no outstanding amounts for non-impaired other financial assets as in the previous year.

### 31. Other assets

Other assets are composed as follows:

in € 000s	Dec. 31, 2014		Dec. 31, 2013	
	Total	thereof: current	Total	thereof: current
Other receivables due from the tax authorities . . . . .	16,239	16,239	15,910	15,910
Prepaid expenses/deferred charges . . . . .	13,389	11,252	13,444	11,369
Assets from overfunded pension plans . . . . .	109	—	665	—
Remaining assets . . . . .	11,259	10,375	8,026	7,196
<b>Total . . . . .</b>	<b>40,996</b>	<b>37,866</b>	<b>38,045</b>	<b>34,475</b>

Remaining assets comprise many insignificant individual items in the Group companies.

Remaining assets are impaired in the amount of € 7.1 million (previous year: € 6.2 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Inventories

Inventories can be subdivided as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Materials and supplies . . . . .	93,958	106,133
Work in progress . . . . .	24,858	27,413
Finished goods . . . . .	374,986	382,584
Advance payments . . . . .	4,983	8,244
<b>Total . . . . .</b>	<b><u>498,785</u></b>	<b><u>524,374</u></b>

The decrease in inventories primarily resulted from a weak Russian ruble and a corresponding low translation of assets reported in foreign currency into the Group currency euro as well as from reporting date effects.

In financial year 2014, impairments netted with reversals were made on the net realizable value of inventories in the amount of € 33.7 million (previous year<sup>(1)</sup>: € 29.9 million), which were already deducted from the amounts shown above through profit and loss. In financial year 2014, reversals here amounted to € 9.3 million (previous year<sup>(1)</sup>: € 7.3 million).

### 33. Non-current assets and disposal groups held for sale

In financial year 2014, assets held for sale in the amount of € 0.3 million (previous year: € 1.6 million) included real estate of a STADA subsidiary in Serbia. Thereof, € 0.2 million (previous year: € 1.3 million) is allocated to the Generics operating segment and € 0.1 million to the Branded Products operating segment (previous year: € 0.3 million).

### 34. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits as well as short-term and highly liquid financial investments with a maximum term of 90 days from the purchase date. In certain countries, specific transactions are subjected to special monitoring in the context of the requirements of the respective national bank or foreign exchange acts in force. Restrictions on disposal for cash and cash equivalents extending beyond this do not exist.

The increase in cash and cash equivalents from € 126.2 million as of December 31, 2013 to € 164.2 million as of December 31, 2014 is primarily due to reporting date effects. Further details on the development of cash and cash equivalents can be found in the consolidated cash flow statement.

### 35. Equity and liabilities

Group equity amounted to € 903.3 million as of the balance sheet date (previous year: € 1,010.1 million). This corresponds to an equity-to-assets ratio of 27.1% (previous year: 29.6%).

#### 35.1. Share capital

As of December 31, 2014, share capital amounted to € 157,629,420.00 (December 31, 2013: € 157,150,500.00) and was divided into 60,626,700 registered shares with restricted transferability (December 31, 2013: 60,442,500), each with an arithmetical share of share capital of € 2.60 per share, and is fully paid.

Each registered share grants one vote in the Annual General Meeting.

The increase in the number of shares in 2014 was due to the exercise of 9,210 options from STADA warrants 2000/2015 in 2014. The number of shares as of December 31, 2014 thereby increased by 184,200 to 60,626,700 and the share capital of STADA Arzneimittel AG increased by € 478,920.00 to

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Equity and liabilities (Continued)

€ 157,629,420.00. As of December 31, 2014 88,176 warrants 2000/2015 for the subscription of 1,763,520 registered shares with restricted transferability continued to be outstanding.

As of December 31, 2014, authorized share capital and conditional capital were comprised as follows:

	Amount in €	Registered shares with restricted transferability	Purpose
Authorized capital . . . . .	77,134,304.00	29,667,040	Increase of share capital (until June 4, 2018)
Conditional capital 2004/I . . . . .	4,585,152.00	1,763,520	Settlement of subscription rights from share options (STADA warrants 2000/2015)
Conditional capital 2013 . . . . .	69,188,340.00	26,610,900	Settlement of options and/or conversion rights (until June 4, 2018) in connection with issued bonds with warrants and/or convertible bonds, participation rights and/or participating bonds in the total nominal amount of up to € 1.0 billion, or in the scope of a guarantee assumed for bonds with warrants and/or convertible bonds, participation rights and/or participating bonds issued by subordinate Group companies

#### 35.2. Capital reserve

Changes in the capital reserve of the Group are shown in the consolidated statement of changes in equity and include in particular the capital reserve of STADA Arzneimittel AG. Differences to the capital reserve determined according to the provisions of German commercial law primarily result from the recognition at their market value of the shares of STADA Arzneimittel AG newly issued in 2003 as well as the associated treatment of issuing costs, which were deducted from the capital reserve.

#### 35.3. Retained earnings including net income

Retained earnings including net income comprise net income for the financial year as well as earnings generated in previous periods, provided these were not distributed, including amounts transferred to retained earnings. In addition, revaluations of net debt from defined benefit plans that were recognized directly in equity are reported under this item taking deferred taxes into account.

In the context of measuring the defined benefit obligations as of December 31, 2014, a net expense in the amount of € 15.5 million after deferred taxes—not considering amounts attributable to non-controlling interests—resulted from the remeasurement. It is mainly based on the substantial decrease in the discount rate for various defined benefit plans in the STADA Group underlying the measurement of December 31, 2014 in comparison to December 31, 2013.

#### 35.4. Other provisions

Other provisions include results recognized directly in equity. This relates, among other things, to foreign exchange gains and losses resulting from the currency translation with no effect on income of financial statements of companies included in the Group, which are recognized in the statement of changes in equity under the currency translation reserve. The provisions available for sale and the provisions for cash flow hedges include the results from the measurement at fair value of financial instruments categorized as available for sale, and the measurement results from cash flow hedges from the effective portion of the hedge, allowing for deferred taxes respectively.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Equity and liabilities (Continued)

The reduction of other provisions as compared to the previous year is primarily composed of opposing effects. On the one hand, an increase in other provisions from the currency translation of financial statements of companies reporting in pound sterling was recorded. This was primarily due to the appreciation of the British pound sterling since December 31, 2013. On the other hand, there was a significantly higher decrease in other provisions, which primarily resulted from the currency translation of financial statements of companies reporting in the Russian ruble and Serbian dinar as a consequence of the significant weakening of both the Russian ruble and Serbian dinar since December 31, 2013.

#### 35.5. Treasury shares

As of the balance sheet date, the Company held 89,835 treasury shares (previous year: 91,989), each with an arithmetical par value of € 2.60 per share, which is equivalent to 0.15% (previous year: 0.15%) of the share capital. In financial year 2014, 2,154 treasury shares were sold at an average price of € 31.62 per share within the scope of an employee stock option program.

#### 35.6. Shares relating to non-controlling shareholders

Shares of non-controlling shareholders relate to minority interests of other shareholders in the subsidiaries STADA Thailand, STADA Import/ Export International, STADA Vietnam, Pymepharco, STADA Pharmaceuticals (Beijing), Well Light Investment Services, Hemomont and Hemofarm Banja Luka.

### 36. Other non-current provisions

Other non-current provisions made by STADA as of the balance sheet date in Germany and outside Germany include pension provisions and other non-current provisions in the form of anniversary provisions and provisions for working time accounts as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Germany . . . . .	13,155	37,955
Outside Germany . . . . .	16,942	13,523
<b>Total . . . . .</b>	<b><u>30,097</u></b>	<b><u>51,478</u></b>

In Germany, STADA has plan assets in the form of a reinsurance police, which are used to serve the pension entitlements of a small number of former employees. In addition, there are plan assets for a pension obligation which was outsourced to a pension fund. All further pension entitlements are financed internally in the scope of pension provisions. In addition, there are plan assets in a few foreign subsidiaries in the form of, among others, government bonds and securities funds.

In Germany, plan assets were increased by additional contributions in financial year 2014. This led to a decrease in provisions.

In financial year 2014, the plan assets of an international subsidiary exceeded their pension obligations, with a result that, as in the previous year, these assets in excess were reported under other assets as assets from overfunded pension plans in the amount of € 0.1 million (previous year: € 0.7 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Other non-current provisions (Continued)

Plan assets were as follows divided according to investment type:

<u>Share of plan assets in € 000s</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents . . . . .	3,179	358
Equity securities . . . . .	4,612	8,827
Debt securities . . . . .	13,891	8,539
Real estate . . . . .	1,441	1,324
Derivatives . . . . .	—	—
Shares in investment funds . . . . .	15,273	13,483
Insurance policies . . . . .	62,604	30,106
Other . . . . .	348	1,094
<b>Total . . . . .</b>	<b><u>101,348</u></b>	<b><u>63,731</u></b>

The plan assets, which have a quoted market price, consist of the following:

<u>Share of plan assets (quoted market price) in € 000s</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents . . . . .	3,179	358
Equity securities . . . . .	4,612	8,827
Debt securities . . . . .	13,891	8,539
Real estate . . . . .	1,441	1,021
Derivatives . . . . .	—	—
Shares in investment funds . . . . .	12,990	10,565
Insurance policies . . . . .	—	—
Other . . . . .	348	143
<b>Total . . . . .</b>	<b><u>36,461</u></b>	<b><u>29,453</u></b>

For German Group companies, pension obligations developed as follows:

<u>Projected benefit obligations for pension commitments in € 000s</u>	<u>2014</u>	<u>2013</u>
<b>As of Jan. 1 . . . . .</b>	<b>49,794</b>	<b>49,035</b>
Current service cost . . . . .	29	969
Past service cost . . . . .	-17,603	—
Plan settlements . . . . .	—	—
Interest cost . . . . .	1,640	1,754
Benefits paid from plan assets . . . . .	-112	-98
Benefits paid by employer . . . . .	-488	-472
Revaluations:		
• Gains (-)/losses (+) due to changed demographic assumptions . . . . .	—	—
• Gains (-)/losses (+) due to changed financial assumptions . . . . .	15,411	-974
• Gains (-)/losses (+) due to experience-based changes . . . . .	3,803	-420
<b>As of Dec. 31 . . . . .</b>	<b><u>52,474</u></b>	<b><u>49,794</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Other non-current provisions (Continued)

For international Group companies, pension obligations developed as follows:

Projected benefit obligations for pension commitments in € 000s	2014	2013 <sup>(1)</sup>
<b>As of Jan. 1</b> . . . . .	<b>61,395</b>	<b>39,745</b>
Current service cost . . . . .	1,559	1,622
Past service cost . . . . .	- 1,500	842
Plan settlements . . . . .	- 379	122
Interest cost . . . . .	2,564	1,776
Benefits paid from plan assets . . . . .	- 2,648	- 594
Benefits paid by employer . . . . .	- 586	- 685
Employee contributions . . . . .	457	429
Insurance premiums for death and disability benefits . . . . .	- 142	- 95
Business combinations . . . . .	—	20,821
Reclassifications . . . . .	864	—
Revaluations:		
• Gains (-)/losses (+) due to changed demographic assumptions . . . . .	108	4
• Gains (-)/losses (+) due to changed financial assumptions . . . . .	12,606	- 2,961
• Gains (-)/losses (+) due to experience-based changes . . . . .	- 13	463
Currency changes . . . . .	1,182	61
Other . . . . .	- 5	- 155
<b>As of Dec. 31</b> . . . . .	<b>75,462</b>	<b>61,395</b>

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

The negative past service cost (as income) is primarily attributable to plan changes in plan in Serbia, the Netherlands and Russia. In Serbia, the definition of pensionable salary was changed, in the Netherlands, the pension plan was adapted to the tax regulations applicable as of 2015 and in Russia, the effect mainly resulted from a settlement of plans.

The fair value of plan assets underlying the pension obligations developed as follows for German group companies:

Fair value of plan assets in € 000s	2014	2013
<b>As of Jan. 1</b> . . . . .	<b>12,011</b>	<b>11,051</b>
Interest income . . . . .	408	396
Employer contributions . . . . .	25,188	604
Employee contributions . . . . .	—	—
Pension payments . . . . .	- 112	- 98
Actuarial gains (+)/losses (-) on plan assets (not included in interest result) . . . . .	3,076	58
Other . . . . .	- 1,252	—
<b>As of Dec. 31</b> . . . . .	<b>39,319</b>	<b>12,011</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Other non-current provisions (Continued)

The fair value of plan assets underlying the pension obligations developed as follows for international Group companies:

Fair value of plan assets in € 000s	2014	2013
<b>As of Jan. 1</b> . . . . .	<b>51,720</b>	<b>29,828</b>
Interest income . . . . .	2,062	1,317
Employer contributions . . . . .	1,168	1,506
Employee contributions . . . . .	457	429
Pension payments . . . . .	- 2,648	- 594
Insurance premiums for death and disability benefits . . . . .	- 142	- 95
Business combinations . . . . .	—	20,102
Reclassifications . . . . .	76	—
Actuarial gains (+)/losses (-) on plan assets (not included in interest result) . . . . .	7,832	- 952
Currency changes . . . . .	1,642	349
Other . . . . .	- 138	- 170
<b>As of Dec. 31</b> . . . . .	<b>62,029</b>	<b>51,720</b>

The amount of the pension provisions recognized as of the balance sheet date for companies with plan assets is therefore as follows:

in € 000s	2014	2013
Projected benefit obligations for pension commitments . . . . .	117,152	104,239
Fair value of plan assets . . . . .	101,348	63,731
<b>Net obligation</b> . . . . .	<b>15,804</b>	<b>40,508</b>
Effect from the limit on a defined benefit asset according to IFRIC 14 . . . . .	157	251
<b>Net liability recognized in balance sheet</b> . . . . .	<b>15,961</b>	<b>40,759</b>

The amount of the pension provisions recognized as of the balance sheet date for companies without plan assets is therefore as follows:

in € 000s	2014	2013
Projected benefit obligations for pension commitments . . . . .	10,784	6,950
<b>Net liability recognized in balance sheet</b> . . . . .	<b>10,784</b>	<b>6,950</b>

Expenses for defined benefit plans on net income totaled € 15.1 million in financial year 2014 (previous year: expenses in the amount of € 5.4 million) and consisted of the following components:

in € 000s	2014	2013
Current service cost . . . . .	1,588	2,591
Past service cost . . . . .	- 19,103	842
Plan settlements . . . . .	- 379	122
Net interest expense:		
• Interest expense (DBO) . . . . .	4,204	3,530
• Interest income (plan assets) . . . . .	- 2,470	- 1,713
• Interest income from reimbursement . . . . .	—	—
• Interest expense (+)/interest income (-) from the limit on an asset . . . . .	10	1
Administration costs . . . . .	117	66
Other . . . . .	954	—
<b>Total</b> . . . . .	<b>- 15,079</b>	<b>5,439</b>

The actual return on plan assets amounted to € 3.5 million in financial year 2014 (previous year: € 0.5 million) for German group companies and € 9.9 million for international group companies (previous year: € 0.4 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Other non-current provisions (Continued)

The following actuarial parameters were used as a basis for measuring the German pension obligations and pension costs:

Parameters for pension obligations for German Group companies (weighted)	Dec. 31, 2014	Dec. 31, 2013
Discount rate . . . . .	2.0%	3.7%
Salary trend . . . . .	1.9%	3.0%
Benefits trend . . . . .	1.4%	1.8%
Inflation . . . . .	1.8%	2.0%

The change in the average salary and pension trends can be attributed to the outsourcing of the pension commitment to a pension fund. For this pension commitment, a long-term discretionary participation in the active phase as a salary trend and in the performance phase as a pension trend is assumed.

The following actuarial parameters were used as a basis for measuring the international pension obligations and pension costs:

Parameters for pension obligations for international Group companies (weighted)	Dec. 31, 2014	Dec. 31, 2013
Discount rate . . . . .	2.71%	4.25%
Salary trend . . . . .	2.5%	2.9%
Benefits trend . . . . .	0.8%	1.7%
Inflation . . . . .	1.9%	2.2%

The lower average pension trend as compared to the previous year mainly resulted from the decrease in the pension trends in the United Kingdom, Russia and the Netherlands.

A sensitivity analysis was carried out in which only one assumption was changed in each case and all other assumptions were not changed. In the following, the change in the defined benefit obligation of the pension obligations (DBO) for German Group companies is presented according to a change in the discount rate, salary trends and pension trends.

Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2014 (€ 52,474,000) according to changed assumptions in € 000s	2014	2013
Discount rate +0.5% . . . . .	– 5,355	– 4,449
Discount rate – 0.5% . . . . .	6,261	5,150
Salary trend +0.5% . . . . .	4,696	29
Salary trend – 0.5% . . . . .	– 4,005	– 21
Pension trend +0.5% . . . . .	5,975	4,409
Pension trend – 0.5% . . . . .	– 5,164	– 3,869

The higher sensitivity of the salary trend can be attributed to the outsourcing of a pension commitment to a pension fund. For this pension commitment, a long-term discretionary participation in the active phase as a salary trend is assumed.

In the following, the change in the defined benefit obligation of the pension obligations (DBO) for international Group companies is presented according to a change in the discount rate, salary trends and pension trends.

Change in the defined benefit obligation for pension obligations (DBO) as of December 31, 2014 (€ 75,462,000) according to changed assumption in € 000s	2014	2013
Discount rate +0.5% . . . . .	– 6,470	– 5,052
Discount rate – 0.5% . . . . .	7,530	5,726
Salary trend +0.5% . . . . .	809	635
Salary trend – 0.5% . . . . .	– 623	– 608
Pension trend +0.5% . . . . .	3,509	3,159
Pension trend – 0.5% . . . . .	– 1,826	– 2,573



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Other non-current provisions (Continued)

As of December 31, 2014, the weighted duration of the pension obligations amounts to 23 years (previous year: 20 years) for German Group companies and 19 years (previous year: 18 years) for international Group companies.

In the coming financial years, the following payments from the Company and from plan assets overall are expected for defined benefit plans:

Expected pension payments according to maturity dates in € 000s	Germany	Outside Germany
Less than one year . . . . .	602	2,832
Between 1 and 2 years . . . . .	596	2,310
Between 2 and 3 years . . . . .	599	2,582
Between 3 and 4 years . . . . .	647	2,925
Between 4 and 5 years . . . . .	903	2,824
Between 5 and 10 years . . . . .	8,262	13,316

For the coming financial year, employer contributions, consisting of direct pension payments and contributions to the plan, are expected in the amount of € 0.8 million for German companies and € 1.7 million for international Group companies.

The regulations of the standard IAS 19 require a presentation of the benefit plans that generate obligations for the company. For the STADA Group, pension plans in Germany, the Netherlands, the United Kingdom and Switzerland account for the largest share of total obligations with 87%. Accordingly, the following details focus more on these countries.

In Germany, the legal framework for company pension plans is provided by the Company Pensions Act (Betriebsrentengesetz—BetrAVG) in which minimum legal requirements are attached to company pension plans. Regulation and legal precedents within labor law must also be followed. The pension plans are predominantly based upon the final salary and are concluded with newly hired employees. Plan participants are primarily beneficiaries. Benefits are paid out in the form of a pension.

In Germany, STADA has plan assets in the form of reinsurance policies and in the form of assets in a pension fund. As of December 31, 2014, plan assets amounted to € 39.3 million and were composed of three different plans. There are no plan assets for two additional plans.

In the context of risk assessment, the life expectancy of plan participants plays a smaller role in Germany, as the—regarding its amount—material obligation including associated risks was outsourced in financial year 2014. There is also the common risk, furthermore, of the interest rate development and the risk that the real future salary development exceeds the salary development derived from assumptions taken in the evaluation.

In the third quarter of 2014, the implementation method for the pension obligation for the Chairman of the Executive Board was changed. It will be implemented through an independent pension fund in the future. The pension commitment has been fundamentally changed in the context of outsourcing it to the pension fund. Accordingly, there is now a commitment to the Chairman of the Executive Board, upon reaching the contractually agreed start of pension payments, for a lifelong pension in the form of a lower monthly guaranteed pension as compared to the previous commitment as well as a variable non-guaranteed participation feature from which a corresponding benefit increase may result. The start of pension payments can in principle—with the corresponding change in the amount of monthly pension payments—take place variably within a defined time period, which exceeds the formerly assumed retirement age. In addition, a lifelong survivor's pension and a temporary orphan's pension will be paid in case of death. In the context of the changed plan and the resulting changes with regard to the benefits awarded according to the former benefit plan there were earnings from past service cost in the amount of € 17.6 million. In addition, an expense from administrative costs for the benefit plan in the amount of € 0.7 million and an expense from the adjustment of plan assets in the amount of € 1.0 million were incurred. The balance of the two items were earnings of € 15.9 million, which were recorded in general and administrative expenses. Despite the transfer of the defined benefit plan of the Chairman of the Executive Board to an pension fund, the necessity remains, due to the secondary liability of STADA, to treat the benefit plan as defined benefit plan in accordance with IAS 19 and measure and recognize it accordingly.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Other non-current provisions (Continued)

The plan assets created in the context of the transfer lead to a provision of zero due to offsetting that must be carried out at the time of the plan amendment for this benefit plan. Because the pension commitment is fully funded, no further provisions are expected in the future.

Pension legislation in the Netherlands requires pension plans to be backed by assets to the extent that the vested benefits are completely covered. The underlying average career pension plan in the Netherlands is, in part, financed via insurance contributions that are designed to fulfill the aforementioned requirement. The plan is open for new employees and contains benefits that fall due in case of retirement or early death.

In the Netherlands, the pension plan is, in part, financed via contributions to an insurance company. Assets received by the insurance company thereby cannot be allocated to specific participating companies. In particular, the assets cannot be determined by a quoted active market price. In practice, the assets are estimated according to the amount of vested benefit obligations. As of December 31, 2014, plan assets amounted to € 22.8 million.

The Dutch company pays annual pension contributions. In the process, life expectancy risk and interest rate risk are transferred to the insurance company. The insurance company also assumes the risk of investing the contributions. These risks are assumed by the insurance company for the entire term of the contract. If, for example, the discount rate used by the insurance company in its calculations should change, a new contract could be concluded that applies the new discount rate to underlie only future contributions received.

Not all risks have been transferred to the insurance company. Dutch law specifies that former employees have the right to transfer their pension entitlements to the pension plan of a new employer. If the evaluation assumptions applied in the transfer differ from the originally applied assumptions of the insurance, the company could be required to pay an additional contribution payment.

From January 1, 2015, new limits for annual attribution rates approved for tax purposes have been in effect in the Netherlands; a cap for the maximum pensionable salary was also introduced. In order to comply with legal requirements, the pension plan has been adjusted accordingly. The effect of the resulting changes was recognized as past service cost. Overall, there was income.

In the United Kingdom, STADA provides its employees defined benefit plans that are concluded for new hires. The employees can also no longer earn an additional increase in their entitlements. The pension plan plans are subject to the UK Trust Law and the UK Pension Regulator. The pension plans are monitored by trustees who determine the investment strategy. The trustees are also responsible for fulfilling the legally required pension plan funding and thereby ensure sufficient assets to cover the technical provisions of the plan. The pension plan is subject to risks relating to the discount rate and participant life expectancy as well as inflation risk, if these values develop contrary to expectations. If the discount rate is low, the level of funding decreases which may require the payment of additional contributions. There is a financing risk in plan assets in that plan assets could develop contrary to expectations and plan assets could therefore only compensate in part for changes in the obligations.

In financial year 2014, the investment strategy in the United Kingdom was changed to the extent that the titles held in the investment category of equity securities, which are generally subject to a higher volatility risk, as well as titles held in the investment category of real estate were sold and reinvested in low-risk classes of investment. As of December 31, 2014, plan assets amounted to € 23.9 million. All assets have quoted market prices on an active market.

In Switzerland, every employer must offer its employees a pension plan according to federal pension law (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge—BVG). Employees whose salary exceeds the entry limit are obliged to be insured—this is re-determined periodically. The BVG requires a minimum plan (the “BVG minimum”) that must always be covered. STADA's Swiss benefit plan includes benefits in case of death, disability, departure and upon reaching retirement age. The annual pension is calculated based on a savings account and conversion rate determined according to the age of retirement. Plan participants can opt for a capital option.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Other non-current provisions (Continued)

The Swiss benefit plan includes three sub-plans. Retirement benefits had already been envisaged by two of the sub-plans, one sub-plan only provided for a lump sum benefit. This sub-plan has been changed so that as of now the contractually agreed benefits will be paid not only in the form of a lump sum, but an option for payment in the form of a pension was introduced. The effect of the plan change was recognized as past service cost.

The contributions for defined contribution plans, which are reported as expense in the respective period in the relevant functional areas, amounted to € 23.9 million in financial year 2014.

The other non-current provisions developed as follows:

Other non-current provisions in € 000s	2014	2013
<b>As of Jan. 1</b> . . . . .	<b>3,104</b>	<b>2,565</b>
Current service cost . . . . .	315	268
Past service cost . . . . .	- 59	171
Plan settlements . . . . .	—	- 78
Interest cost . . . . .	218	197
Benefits paid . . . . .	- 324	- 307
Business combinations . . . . .	—	85
Revaluations		
• Gains (-)/losses (+) due to changed demographic assumptions . . . . .	75	27
• Gains (-)/losses (+) due to changed financial assumptions . . . . .	63	- 50
• Gains (-)/losses (+) due to experience-based changes . . . . .	- 7	290
Currency changes . . . . .	- 257	- 127
Reclassifications . . . . .	115	63
<b>As of Dec. 31</b> . . . . .	<b><u>3,243</u></b>	<b><u>3,104</u></b>

The following actuarial parameters were used as a basis for measuring the other long-term provisions:

Parameters for other long-term provisions for international Group companies (weighted)	Dec. 31, 2014	Dec. 31, 2013
Discount rate . . . . .	6.5%	7.8%
Salary trend . . . . .	4.0%	4.5%
Inflation . . . . .	3.2%	4.1%

### 37. Financial liabilities

Financial liabilities are comprised as follows in accordance with their remaining terms as of the balance sheet date:

in € 000s	Liabilities promissory notes		Amounts due to banks		Liabilities from bond		Total	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Remaining terms up to 1 year	50,487	97,770	48,336	194,714	349,880	—	448,703	292,484
Remaining terms over 1 year								
to 3 years . . . . .	231,330	237,581	103,107	37,709	—	349,488	334,437	624,778
Remaining terms over 3 years								
to 5 years . . . . .	269,017	99,592	52,161	69,554	347,391	346,633	668,569	515,779
Remaining terms over 5 years	—	—	39,992	14	—	—	39,992	14
<b>Financial liabilities</b> . . . . .	<b><u>550,834</u></b>	<b><u>434,943</u></b>	<b><u>243,596</u></b>	<b><u>301,991</u></b>	<b><u>697,271</u></b>	<b><u>696,121</u></b>	<b><u>1,491,701</u></b>	<b><u>1,433,055</u></b>

The increase in financial liabilities mainly resulted from securing promissory notes in financial year 2014 in the total amount of € 270 million and a loan in the amount of approx. € 83 million as of the balance sheet date for the financing of the purchase of the branded product portfolio Aqualor®. In opposition, financial liabilities were repaid in the current financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37. Financial liabilities (Continued)

The contractually agreed undiscounted cash flows, as of the balance sheet date December 31, 2014, from interest payments and repayment of financial liabilities for the coming years can be seen in the following chart:

in € 000s	2015			2016			>2016		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from financial liabilities . . . . .	38,676	14,274	453,786	20,376	11,731	223,764	52,244	27,203	818,516

The following projection of cash flows from financial liabilities was generated in the previous year:

in € 000s	2014			2015			>2015		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from financial liabilities . . . . .	37,560	5,130	297,172	31,878	4,642	414,338	35,238	5,935	726,433

For the financial liabilities existing as of the balance sheet date, a repayment in accordance with the maturity disclosed in the balance sheet was generally assumed. For current liabilities due to banks, an extension of existing credit lines was partly assumed. The variable interest payments from the promissory notes were determined based on the interest rate last fixed before December 31, 2014.

Internal measures to ensure the necessary liquidity for repayment of financial liabilities are detailed in the notes on the management of liquidity risk (see Note 47.5.).

### 38. Trade accounts payable

Trade accounts payable are composed as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Trade accounts payable to third parties . . . . .	271,765	263,391
Trade accounts payable to non-consolidated Group companies . . . . .	200	7,112
Advances received on orders from third parties . . . . .	1,660	1,950
Liabilities from outstanding accounts . . . . .	67,222	59,208
<b>Total . . . . .</b>	<b>340,847</b>	<b>331,661</b>

Of the total amount of trade accounts payable, € 0.1 million (previous year: € 0.1 million) are due after one year.

The increase of trade accounts payable was primarily based on balance sheet date effects and the resulting derivable cash flows.

### 39. Other financial liabilities

Other financial liabilities are broken down as follows:

in € 000s	Dec. 31, 2014		Dec. 31, 2013	
	Total	thereof: current	Total	thereof: current
Outstanding purchase price liabilities . . . . .	32,233	32,233	6,595	5,890
Finance lease liabilities . . . . .	3,081	1,056	8,467	4,460
Liabilities from derivative financial instruments . . . . .	3,124	348	5,619	405
Other financial liabilities . . . . .	224,224	223,766	253,374	250,312
<b>Total . . . . .</b>	<b>262,662</b>	<b>257,403</b>	<b>274,055</b>	<b>261,067</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 39. Other financial liabilities (Continued)

In the reporting year, the outstanding purchase price liabilities primarily resulted, as in the previous year, from installments which were not yet due for the acquisition of branded products in Russia. Furthermore, the outstanding contingent purchase price payment for the acquisition of the British company Internis is included in financial year 2014.

Finance lease liabilities, such as for vehicles and passenger vehicles amount to € 3.1 million (previous year: € 8.5 million). Liabilities for sale-and-leaseback transactions for software and software licenses recognized in the previous year no longer exist as of the balance-sheet date December 31, 2014. Considering interest in the amount of € 0.6 million (previous year: € 1.7 million), lease installments payable in subsequent years total € 3.7 million (previous year: € 10.2 million). The lease liabilities are due as follows:

in € 000s	Lease installments		Interest		Liabilities finance lease	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Remaining terms up to 1 year . . . . .	1,371	5,197	315	737	1,056	4,460
Remaining terms over 1 year to 3 years . . . . .	2,335	4,535	310	978	2,025	3,557
Remaining terms over 3 years to 5 years . . . . .	—	475	—	25	—	450
Remaining terms over 5 years . . . . .	—	—	—	—	—	—
<b>Total . . . . .</b>	<b>3,706</b>	<b>10,207</b>	<b>625</b>	<b>1,740</b>	<b>3,081</b>	<b>8,467</b>

In addition, the negative market values of derivatives measured at fair value through profit or loss were reported in liabilities from derivative financial instruments. In financial year 2014, this continued to relate, as in the previous year, to interest rate swaps, which are used as hedging instruments and, in addition, cross-currency swaps and currency forwards (see Note 47.7.). Within the scope of the maturity date analysis, the following contractually agreed remaining terms result for these derivative financial liabilities:

in € 000s	Derivative financial liabilities	
	Dec. 31, 2014	Dec. 31, 2013
Remaining terms up to 1 year . . . . .	348	405
Remaining terms over 1 year to 3 years . . . . .	2,776	4,785
Remaining terms over 3 years to 5 years . . . . .	—	429
Remaining terms over 5 years . . . . .	—	—
<b>Total . . . . .</b>	<b>3,124</b>	<b>5,619</b>

Remaining financial liabilities include liabilities from discount agreements of German STADA companies in the amount of € 192.1 million (previous year: € 214.7 million) and furthermore comprise many insignificant individual items in the Group companies. The remaining financial liabilities fall due in the amount of € 223.8 million (previous year: € 250.3 million) within one year, in the amount of € 0.5 million after one year and up to five years (previous year: € 3.1 million).

The contractually agreed undiscounted cash flows, as of the balance sheet date December 31, 2014, from interest payments and repayment of finance lease liabilities and for the liabilities from derivative financial instruments for the coming years can be seen in the following chart:

in € 000s	2015			2016			2017–2019		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from liabilities									
finance leases . . . . .	315	—	1,056	206	—	956	104	—	1,069
Cash flows from derivatives	2,185	—	—	1,187	—	—	1,185	—	—



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 39. Other financial liabilities (Continued)

The following projection of cash flows from finance lease liabilities as well as derivatives was generated in the previous year:

in € 000s	2014			2015			2016–2018		
	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment	Interest rate fixed	Interest rate variable	Repayment
Cash flows from liabilities									
finance leases . . . . .	737	—	4,460	511	—	1,241	492	—	2,766
Cash flows from derivatives	3,079	—	—	2,088	—	—	1,103	—	—

Included were all financial instruments used by STADA which existed as of December 31, 2014 and for which payments had already been contractually agreed.

Further details on liabilities from derivative financial instruments can be found in the notes on financial instruments (Note 46. and Note 47.7.).

### 40. Other liabilities

Other liabilities were comprised as follows:

in € 000s	Dec. 31, 2014		Dec. 31, 2013	
	Total	thereof: current	Total	thereof: current
Tax liabilities . . . . .	1,949	1,949	17,031	17,031
Personnel related liabilities . . . . .	46,521	46,145	48,919	47,968
Other liabilities . . . . .	40,475	39,211	48,339	46,353
<b>Total . . . . .</b>	<b>88,945</b>	<b>87,305</b>	<b>114,289</b>	<b>111,352</b>

Personnel-related liabilities relate to € 0.4 million in accruals in connection with partial retirement agreements as of December 31, 2014 (previous year: € 1.0 million).

Remaining liabilities comprise many insignificant individual items in the Group companies.

### 41. Other provisions

Other provisions are composed as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Provisions set aside for damages . . . . .	343	604
Warranties . . . . .	17,099	16,932
<b>Total . . . . .</b>	<b>17,442</b>	<b>17,536</b>

Provisions set aside for damages include possible utilization from pending legal disputes including the associated legal costs and developed as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
<b>As of Jan. 1 . . . . .</b>	<b>604</b>	<b>1,024</b>
Added . . . . .	1,721	340
Utilized . . . . .	1,964	—
Reversed . . . . .	18	731
Currency translation differences . . . . .	—	– 29
<b>As of Dec. 31 . . . . .</b>	<b>343</b>	<b>604</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41. Other provisions (Continued)

Provisions for warranties developed as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
<b>As of Jan. 1</b> . . . . .	<b>16,932</b>	<b>9,514</b>
Added . . . . .	5,138	12,966
Utilized . . . . .	3,897	1,879
Reversed . . . . .	1,074	3,669
Changes in the scope of consolidation . . . . .	—	—
<b>As of Dec. 31</b> . . . . .	<b>17,099</b>	<b>16,932</b>

### Other Disclosures

#### 42. Notes to the cash flow statement

Cash flow from operating activities consists of changes in items not covered by capital expenditure, financing, changes in exchange rates from the conversion of foreign financial statements or transactions in foreign currencies or through changes in the scope of consolidation and measurement. Cash flow from operating activities amounted to € 223.8 million in the reporting year (previous year<sup>(1)</sup>: € 203.7 million). The increase by € 20.1 million as compared to the previous year mainly resulted from a substantial cash-effective decrease in trade accounts receivable, whereas a substantial cash-effective increase was recorded in the previous year, as well as from lower income tax payments. The resulting positive effects were partially compensated by a substantial cash-effective decrease in trade accounts payable as compared to a substantial cash-effective increase in trade accounts payable in the previous year. In addition, a significantly higher cash-effective decrease in other non-current provisions was recorded in financial year 2014, which is connected to the transfer of a defined benefit plan to an external pension fund.

Cash flow from investing activities reflects the cash outflows for investments reduced by the inflows from disposals. This amounted to € – 262.0 million in the reporting year (previous year<sup>(1)</sup>: € – 312.0 million).

In financial year 2014, payments for investments in intangible assets in the amount of € 181.4 million (previous year: € 53.0 million) were made, of which € 147.5 million (previous year: € 13.5 million) related to significant investments in intangible assets for the short-term expansion of the product portfolio. Acquisition-related sales growth was generally associated with these investments in the reporting year. Proceeds from the disposal of non-current assets in the financial year amounted to € 12.0 million (previous year<sup>(1)</sup>: € 5.4 million).

In financial year 2014, cash flow from investing activities was particularly influenced by high payments for investments in intangible assets, which primarily related to the purchase of the Russian branded product portfolio Aqualor®. Furthermore, there were payments for business combinations from the purchase of the branded product portfolio Flexitol® and the acquisition of the British company Internis. Proceeds from the disposal of intangible assets mainly resulted from the sale of approvals and trademarks in France and Italy. Proceeds from the disposal of property, plant and equipment primarily related to the sale of a building in the United Kingdom. In the previous year, payments for investments in business combinations primarily resulted from the purchase price payments made for the acquisition of the British OTC supplier Thornton & Ross as well as from the final purchase price payments for the additional shares and the control achieved over the Vietnamese pharmaceutical company Pymepharco and for the pharmaceutical wholesaling and commercial business acquired from Spirig Pharma, in each case following the deduction of acquired cash and cash equivalents.

Cash flow from financing activities amounted to € 83.7 million in financial year 2014 (previous year<sup>(1)</sup>: € 148.8 million) and encompasses payments from changes in financial liabilities, dividend distribution payments and payments for treasury shares as well as additions to shareholders' equity. In the reporting year, there were proceeds from securing financial liabilities, among other things, in connection with promissory notes secured in financial year 2014 in the total amount of € 270 million and a loan in the

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 42. Notes to the cash flow statement (Continued)

amount of approx. € 121 million for financing the purchase of the branded product portfolio Aqualor®. In the previous year, higher proceeds from taking up financial liabilities were recorded, in particular due to the bond placed in the second quarter of 2013. Furthermore, more financial liabilities were repaid in the previous year than in the reporting period.

Dividend distribution payments of € 39.8 million primarily related to the dividend paid to the shareholders of STADA Arzneimittel AG for financial year 2013. A significant increase was thus achieved in the distributed volume as compared to the dividend for financial year 2012.

Proceeds from the capital increase are the result of the exercise of STADA warrants 2000/2015 (see Note 35.1.).

Free cash flow as the sum of cash flow from operating activities and cash flow from investing activities amounted to € –38.2 million in financial year 2014 (previous year<sup>(1)</sup>: € –108.2 million) and is therefore still significantly characterized by a high volume of acquisitions.

Free cash flow, adjusted for effects from payments for significant investments and acquisitions and effects of proceeds from significant disposals is calculated as follows:

in € 000s	2014	2013 <sup>(1)</sup>
Cash flow from operating activities . . . . .	223,810	203,744
Cash flow from investing activities . . . . .	–261,980	–311,982
+ Payments for investments in business combinations according to IFRS 3 . . .	55,054	229,754
+ Payments for significant investments in intangible assets for the short-term expansion of the product portfolio . . . . .	147,487	13,450
– Proceeds from the disposal of intangible assets in significant disposals . . . . .	6,960	1,700
<b>Adjusted free cash flow . . . . .</b>	<b>157,411</b>	<b>133,266</b>

### 43. Segment information

The measurement approaches for segment reporting are in accordance with the financial reporting methods used in the IFRS consolidated financial statements. Services between the segments are charged based on market prices.

Segmentation within the STADA Group is based on sales differentiation. Thus, the allocation to the individual segments is determined to a large extent by the sales positioning. If this positioning changes for parts of the product portfolio, associated sales are reallocated.

Generally, STADA's operating segments are divided into the two core segments, Generics and Branded Products, as well as into the non-core segment Commercial Business.

Pursuant to STADA's segment definition, which has been used since 2006, Generics are products for the health care market—usually with a drug character—which contain one or several active ingredients whose commercial property rights have expired or will expire shortly and whose sales positioning complies with one of the two following criteria:

- The product is offered by emphasizing its low price, usually in contrast to the product of another supplier which contains the identical active pharmaceutical ingredient, or
- the product is an integral part of a marketing concept targeting more than one product and indication for primarily prescription products with active ingredients whose commercial property rights have usually expired.

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43. Segment information (Continued)

According to STADA's segment definition, which has been used since 2006, Branded Products are products for the health care market which contain one or several active ingredients whose commercial property rights have usually expired and whose sales positioning complies with one of the two following criteria:

- The product is sold under a product-specific brand name and with emphasis on specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products, or
- the product is part of a marketing concept for primarily non-prescription products which are mainly sold under a product-specific brand name and with emphasis on different specific product characteristics which aim at a unique position of the product in contrast to competitive products and other Group products.

STADA also conducts business and has equity interests in fields outside the core segments. As a rule, the objective of these activities is to supplement and support the Group's activities in the core segments. Transactions that mainly involve trading and selling—such as in wholesaling activities—are grouped together in the Commercial Business segment. All other income, expenses and assets, which cannot be directly allocated to the segments, as well as the elimination of sales between segments are recognized under the reconciliation Group holdings/other and consolidation.

Disclosures on significant non-cash items include impairments on inventories and receivables; they do not, however, include depreciation and amortization as well as the offsetting of impairments and write-ups. In addition, further non-cash items, particularly non-cash effects from accruals for health insurance organization billings are included here. Reporting of the segment liabilities and non-current segment assets is waived, as this is without relevance for Group monitoring and for Group reporting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43. Segment information (Continued)

#### 43.1. Information by operating segment

in € 000s		2014	2013 <sup>(1)</sup>
<b>Generics</b> . . . . .	<b>External sales</b>	<b>1,217,729</b>	<b>1,227,894</b>
	Sales with other segments	571	888
	Total sales	1,218,300	1,228,782
	Operating profit	108,314	154,367
	Depreciation /amortization	50,743	45,775
	Impairment losses	63,924	5,103
	Reversals	—	—
	Other significant non-cash items within operating result	– 221,153	– 225,233
<b>Branded Products</b> . . . . .	<b>External sales</b>	<b>800,558</b>	<b>704,366</b>
	Sales with other segments	—	—
	Total sales	800,558	704,366
	Operating profit	138,206	160,171
	Depreciation /amortization	59,444	50,631
	Impairment losses	33,896	5,000
	Reversals	—	176
	Other significant non-cash items within operating result	– 32,430	2,136
<b>Commercial Business</b> . . . . .	<b>External sales</b>	<b>43,960</b>	<b>41,045</b>
	Sales with other segments	—	—
	Total sales	43,960	41,045
	Operating profit	871	1,327
	Depreciation/amortization	139	226
	Impairment losses	—	1
	Reversals	—	—
	Other significant non-cash items within operating result	– 170	– 561
<b>Reconciliation Group holdings/other and consolidation</b> . . . . .	<b>External sales</b>	<b>—</b>	<b>30,607</b>
	Sales with other segments	– 571	– 888
	Total sales	– 571	29,719
	Operating profit	– 58,864	– 67,539
	Depreciation/amortization	10,664	10,490
	Impairment losses	9,711	13,513
	Reversals	—	370
	Other significant non-cash items within operating result	16,418	22,312
<b>Group</b> . . . . .	<b>External sales</b>	<b>2,062,247</b>	<b>2,003,912</b>
	Sales with other segments	—	—
	Total sales	2,062,247	2,003,912
	Operating profit	188,527	248,326
	Depreciation/amortization	120,990	107,122
	Impairment losses	107,531	23,617
	Reversals	—	546
	Other significant non-cash items within operating result	– 237,335	– 201,346

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43. Segment information (Continued)

#### 43.2. Reconciliation of segment results to net profit

in € 000s	2014	2013 <sup>(1)</sup>
Operating segment profit . . . . .	247,391	315,865
Reconciliation Group holdings/other and consolidation . . . . .	– 58,864	– 67,539
Result from investments measured at equity . . . . .	1,595	3,700
Investment income . . . . .	132	340
Financial income . . . . .	4,833	6,865
Financial expenses . . . . .	70,393	69,930
<b>Earnings before taxes, Group . . . . .</b>	<b><u>124,694</u></b>	<b><u>189,301</u></b>

#### 43.3. Reconciliation of segment assets to Group assets

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Segment assets . . . . .	1,863,967	1,890,259
Reconciliation Group holdings/other and consolidation . . . . .	75,015	78,783
Other non-current assets . . . . .	74,837	90,947
Current assets . . . . .	1,321,639	1,353,193
<b>Total assets, Group . . . . .</b>	<b><u>3,335,458</u></b>	<b><u>3,413,182</u></b>

#### 43.4. Information by country

in € 000s	Development of sales by the company's registered office		Non-current assets	
	2014	2013 <sup>(1)</sup>	Dec. 31, 2014	Dec. 31, 2013
Germany . . . . .	462,565	483,120	599,702	641,858
Russian Federation . . . . .	381,958	436,015	221,847	225,447
United Kingdom . . . . .	185,179	114,585	468,059	324,690
Italy . . . . .	180,895	169,106	43,955	54,767
Belgium . . . . .	150,127	147,736	7,774	9,264
Other regions . . . . .	701,523	653,350	595,609	704,025
<b>Total, Group . . . . .</b>	<b><u>2,062,247</u></b>	<b><u>2,003,912</u></b>	<b><u>1,936,946</u></b>	<b><u>1,960,051</u></b>

In the presentation of sales by the company's registered office, sales to third parties are shown according to the invoicing company's registered office of the countries listed.

Disclosures on assets by country relate to parts of the non-current assets (intangible assets, property, plant and equipment).

#### 43.5. Information about major customers

In accordance with IFRS 8.34, a company must provide notification when sales revenues from business activities from a single external customer amount to at least 10% of the company's total sales revenues. As in the previous year, this related to no customer in the reporting year.

### 44. Contingent liabilities

Contingent liabilities describe possible obligations with respect to third parties which result from past events and which may lead to a future outflow of resources depending on specific events. As of the balance sheet date, these contingent liabilities were considered improbable and are therefore not recognized.

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44. Contingent liabilities (Continued)

STADA has contingent liabilities, among other things, in connection with patent risks for certain active pharmaceutical ingredients and associated pending or impending proceedings. The resulting possible obligations amounted to approx. € 18.9 million (previous year: € 11.1 million), from which, in addition to the contingent liabilities for patent risks reported in the Annual Report 2013, further contingent liabilities in the amount of € 5.6 million in the market region Central Europe and in the amount of € 2.8 million in the market region CIS/Eastern Europe resulted. Former contingent liabilities for patent risks in the amount of € 0.6 million in the market region Central Europe no longer exist however, as a settlement was reached for this issue due to a lost patent dispute and any additional potential obligations were satisfied by a settlement payment. Provisions were not created for contingent liabilities as the probability of an outflow of assets is under 50%. Outflows potentially resulting from these risks would generally be short-term.

Furthermore, in the first quarter of 2014, the insolvency administrator of Velefarm Holding and Velefarm VFB submitted a lawsuit to Belgrade's commercial court against Hemofarm A.D., a subsidiary of STADA Arzneimittel AG, and Velefarm Prolek, a company of the Vele-farm group.<sup>(1)</sup> The statement of claim names potential repayments to the insolvent assets, which could result from this claim, with amounts quantified at approx. € 54.2 million (in local currency translated using the currency exchange rate at that time). However, it has to be taken into consideration that Hemofarm as creditor of the insolvent assets would retrieve a quota of the insolvent assets in a significant amount. Hemofarm and STADA continue to believe that the lawsuit is unfounded. For this reason no provisions were made for this purpose.

### 45. Other financial obligations

In addition to the contingent liabilities, there were other future financial obligations, which can be broken down as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
Operating lease liabilities . . . . .	72,892	70,973
Other financial obligations . . . . .	31,536	166,705
<b>Total . . . . .</b>	<b><u>104,428</u></b>	<b><u>237,678</u></b>

Liabilities from operating leases relate particularly to IT equipment and vehicles. In addition, there are liabilities from long-term rental agreements for office buildings with an average contract term of 4 years.

The total of future minimum lease payments under operating leases amounted to € 72.9 million as of the end of the financial year (previous year: € 71.0 million) and can be broken down according to remaining term as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
	<b>Operating lease</b>	
Remaining terms up to 1 year . . . . .	25,280	22,370
Remaining terms over 1 year to 5 years . . . . .	36,909	33,120
Remaining terms over 5 years . . . . .	10,703	15,483
<b>Total . . . . .</b>	<b><u>72,892</u></b>	<b><u>70,973</u></b>

Lease payments in the amount of € 29.2 million (previous year<sup>(2)</sup>: € 29.5 million) were recognized as an expense in financial year 2014.

(1) See the Company's ad hoc release of February 14, 2014.

(2) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Other financial obligations (Continued)

As of December 31, 2013, other financial obligations consisted of an obligation of Nizhpharm amounting to € 131.0 million toward Butterwood Holdings Limited, Cyprus, for the purchase of the Russian branded product portfolio Aqualor<sup>®(3)</sup>, whereby the completion of the contract was still subject to comprehensive completion conditions as of December 31, 2013. As of December 31, 2014, this other financial obligation no longer exists, as the residual amount of the purchase price liability still outstanding as of December 31, 2014 of € 13.1 million has been recorded in the balance sheet under other financial liabilities.

Furthermore there is still a guarantee amounting to € 25.0 million towards Hospira Inc., Lake Forest, Illinois, USA, in connection with a supply agreement between Hospira and the shares in the associated company BIOCEUTICALS Arzneimittel AG which are recognized under the equity method.

STADA, as guarantor, has recognized these guarantees in the reporting year as financial guarantees in accordance with IAS 39 at their fair value in the amount of € 0.3 million (previous year: € 0.3 million). Utilization of these guarantees granted is currently not expected.

Furthermore, the remaining financial liabilities included, among other things, additional guarantees assumed by the STADA Group.

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(3) See the Company's ad hoc release of October 18, 2013 and ad hoc update of February 28, 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Disclosures about financial instruments

#### 46.1. Carrying amounts, valuation rates and fair values according to valuation categories

The following disclosures are made on carrying amounts, valuation rates and fair values by valuation category, whereby the following abbreviations are made pursuant to IAS 39: LaR (loans and receivables), HtM (held-to-maturity investments), AfS (available-for-sale financial assets), FAHFT (financial assets held for trading), FLHFT, (financial liabilities held for trading) and FLAC (financial liabilities measured at amortized cost).

in € 000s	Valuation rate balance sheet in accordance with IAS 39					Valuation rate balance sheet in accordance with IAS 39					Fair value Dec. 31, 2013
	Carrying amount Dec. 31, 2014	Valuation category pursuant to IAS 39	Fair value not included in the income statement		Valuation rate in accordance with IAS 17	Amortized cost	Fair value not included in the income statement		Fair value included in the income statement		
<b>Assets</b>											
Cash and cash equivalents	164,209	LaR	164,209	—	—	126,163	—	—	—	126,163	
Trade accounts receivable	502,794	LaR	502,794	—	—	591,678	—	—	—	591,678	
Held-to-maturity financial assets	—	HtM	—	—	—	11	—	—	—	11	
Available-for-sale financial assets	2,065	AS	2,036	29	—	8,980	46	—	—	9,026	
Derivative financial assets without hedging relationship	33,250	FAHFT	—	—	33,250	10,520	—	10,520	—	10,520	
Other financial assets	65,393	LaR	65,393	—	—	67,315	—	—	—	67,315	
<b>Equity and liabilities</b>											
Trade accounts payable	339,187	FLAC	339,187	—	—	329,711	—	—	—	329,711	
Amounts due to banks	243,596	FLAC	243,596	—	—	301,991	—	—	—	305,168	
Promissory notes	550,834	FLAC	550,834	—	—	592,749	434,943	—	—	471,285	
Bonds	697,271	FLAC	697,271	—	—	715,750	696,121	—	—	714,042	
Liabilities financial leasing	3,081	n/a	—	—	3,081	8,467	—	—	8,467	8,467	
Derivative financial liabilities with hedging relationship	2,666	n/a	—	2,666	2,666	4,748	—	4,748	—	4,748	
Derivative financial liabilities without hedging relationship	458	FLHFT	—	—	458	871	—	871	—	871	
Other financial liabilities	256,457	FLAC	256,457	—	—	259,969	—	—	—	259,969	
<b>Thereof aggregated according to valuation categories in accordance with IAS 39:</b>											
Loans and receivables	732,396	LaR	732,396	—	—	785,156	—	—	—	785,156	
Held-to-maturity investments	—	HtM	—	—	—	11	—	—	—	11	
Available-for-sale financial assets	2,065	AS	2,036	29	—	8,980	46	—	—	9,026	
Financial assets held for trading	33,250	FAHFT	—	—	33,250	10,520	—	10,520	—	10,520	
Financial liabilities measured at amortized cost	2,087,345	FLAC	2,087,345	—	—	2,022,735	—	—	—	2,080,175	
Financial liabilities held for trading	458	FLHFT	—	—	458	871	—	871	—	871	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Disclosures about financial instruments (Continued)

Since cash and cash equivalents as well as trade accounts receivable mainly have short remaining terms, their carrying amounts as of the closing date correspond approximately to the fair value.

Deviations of the fair values from the carrying amounts occur as shown in the following chart in the case of promissory notes, bonds, as well as liabilities to banks. The cash flows calculated by means of the current yield curve were discounted to the measurement date to determine the fair values.

Available-for-sale financial assets are, in addition to a smaller portion of shares measured at fair value, primarily the carrying amounts of those shares in non-consolidated investments which are entirely measured at amortized cost for lack of available market prices.

The fair values of remaining financial receivables as well as of held-to-maturity financial investments with remaining terms of more than a year correspond to the present values of the payments connected with the assets taking into consideration the respectively current interest parameters that reflect market and partner-related changes in the conditions and expectations. Trade accounts payable as well as remaining financial liabilities also regularly have short remaining terms so that the recognized values approximate the fair values.

For the disclosures according to class of financial instrument necessary in accordance with IFRS 7, STADA defines each valuation category as a class.

The chart below shows how the valuation rates of financial instruments measured at fair value were determined for the respective classes of financial instruments:

Fair values by levels of hierarchy in € 000s on a recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Available-for-sale financial assets (AfS)						
• Securities . . . . .	29	46	—	—	—	—
Financial assets held for trading (FAHfT)						
• Currency forwards . . . . .	—	—	—	—	749	17
• Interest rate/currency swaps . . . . .	—	—	—	—	32,501	10,503
Financial liabilities held for trading (FLHfT)						
• Currency forwards . . . . .	—	—	—	—	5	405
• Interest rate/currency swaps . . . . .	—	—	—	—	453	466
Derivative financial liabilities with a hedging relationship						
• Cash flow hedges . . . . .	—	—	—	—	2,666	4,748

In the context of the preparation of the financial statements, STADA reviews the allocation to the respective hierarchy levels according to information available on the determination of the fair values. If the need for reclassification is determined, the reclassification is carried out as of the beginning of the reporting period. In the reporting year, there were no reclassifications among the respective hierarchy levels.

The fair values are analyzed in the context of the preparation of the financial statements. For this purpose, market analyses and change analyses are carried out.

Available-for-sale financial assets (AfS) relate to shares for which market prices are available for measurement. Derivative financial assets (FAHfT) and derivative financial liabilities (FLHfT) include positive or negative market values of derivative financial instruments (interest rate/currency swaps and foreign exchange swaps) not part of a hedging relationship. The fair values were determined using appropriate valuation models by external third parties. This includes the application of discounted cash flow methods, which are largely based on input parameters observable in the market. The cash flows which are already fixed or calculated by means of the current yield curve are discounted to the measurement date



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Disclosures about financial instruments (Continued)

with the discount factors determined by means of the yield curve valid on the balance sheet date. The same applies for the calculation of the fair values of the derivative financial liabilities with a hedging relationship, which reflect the negative market values of the interest rate swaps used as hedging instruments.

The subsequent chart shows how the valuation rates of assets measured at fair value on a non-recurring basis were determined:

Fair values by levels of hierarchy in € 000s on a non-recurring basis	Level 1 Quoted prices in active markets		Level 2 Valuation methods with input parameters observable in the market		Level 3 Valuation methods with input parameters not observable in the market	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Non-current assets and disposal groups held for sale	—	—	331	1,571	—	—

The assets held for sale comprise real estate held by a STADA subsidiary in Serbia. The non-recurring basis for the determination of fair value is based on an appraisal prepared by an independent expert and was largely determined based on input parameters observable in the market.

As STADA utilizes pricing information from external third parties without further correction in the determination of the fair value, and therefore does not produce any quantitative, non-observable input factors, the option of IFRS 13 to waive the disclosure of quantitative information on such input factors is taken.

Financial assets and liabilities allocated to hierarchy level 3 and recognized at fair value developed as follows in financial year 2014:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
<b>as of Jan. 1, 2014</b>	<b>10,520</b>	<b>– 5,619</b>
Reclassification from level 2	—	—
Currency changes	—	—
Total result	20,818	3,582
• in the income statement	20,818	1,500
• directly in equity	—	2,082
Additions	—	—
Realizations	1,912	– 1,087
Reclassification in level 2	—	—
<b>Balance at December 31, 2014</b>	<b>33,250</b>	<b>– 3,124</b>
<b>Income recognized in the income statement</b>	<b>20,818</b>	<b>1,500</b>
Other earnings/other expenses	17,434	1,296
• thereof attributable to assets/liabilities held as of the balance sheet date	17,424	– 196
Financial result	3,384	204
• thereof attributable to assets/liabilities held as of the balance sheet date	3,384	– 262

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Disclosures about financial instruments (Continued)

Financial assets and liabilities allocated to hierarchy level 3 and measured at equity developed as follows as compared to the previous year:

in € 000s	Financial assets measured at fair value	Financial liabilities measured at fair value
<b>as of Jan. 1, 2013</b> . . . . .	<b>0</b>	<b>0</b>
Reclassification from level 2 . . . . .	2,265	– 11,707
Currency changes . . . . .	—	—
Total result . . . . .	8,504	1,029
• in the income statement . . . . .	8,504	– 2,219
• directly in equity . . . . .	—	3,248
Additions . . . . .	—	—
Realizations . . . . .	– 249	5,059
Reclassification in level 2 . . . . .	—	—
<b>Balance at Dec 31, 2013</b> . . . . .	<b><u>10,520</u></b>	<b><u>– 5,619</u></b>
<b>Income recognized in the income statement</b> . . . . .	<b>8,504</b>	<b>– 2,219</b>
Other earnings/other expenses . . . . .	8,504	– 4,015
• thereof attributable to assets/liabilities held as of the balance sheet date . . . . .	8,504	959
Financial result . . . . .	—	1,796
• thereof attributable to assets/liabilities held as of the balance sheet date . . . . .	—	—

#### 46.2. Net earnings from financial instruments by valuation category

Net earnings recognized in income from financial assets and liabilities can be broken down as follows:

Net earnings by valuation category in € 000s	from interest and dividends	from subsequent measurement			from disposals	Net earnings	
		at fair value	currency translation	valuation allowance		Dec. 31, 2014	Dec. 31, 2013 <sup>(1)</sup>
Loans and receivables (LaR) . . . . .	1,242	—	– 6,031	– 3,809	—	– 8,598	– 9,830
Available-for-sale financial assets (AfS) . . .	132	—	—	– 2,622	—	– 2,490	– 580
Financial assets held for trading (FAHfT) .	—	22,757	—	—	– 27	22,730	8,255
Financial liabilities measured at amortized cost . . . . .	– 68,431	—	– 42,940	—	—	– 111,371	– 85,963
Financial liabilities held for trading (FLHfT) . . . . .	—	1,500	—	—	– 1,087	413	2,840
<b>Total</b> . . . . .	<b><u>– 67,057</u></b>	<b><u>24,257</u></b>	<b><u>– 48,971</u></b>	<b><u>– 6,431</u></b>	<b><u>– 1,114</u></b>	<b><u>– 99,316</u></b>	<b><u>– 85,278</u></b>

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

The disclosure of interest from financial instruments is made in financial income and financial expenses in the interest result, dividends received are disclosed in investment income. With the exception of the valuation results from interest rate/currency swaps recognized at fair value with an effect on income, which are reported under financial income or financial expenses and partially also in the currency translation result, disclosure of the remaining components of net earnings is made in other income or other expenses. Earnings from the disposal of financial instruments relate to currency swaps expired in financial year 2014.

Valuation results from financial assets held for sale and cash flow hedges, which are reported under other comprehensive income in equity, are not included in this presentation as they had no effect on income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Risk management, derivative financial instruments and disclosures on capital management

#### 47.1. Principles of risk management

The basic principles of financial policy and of financial risk management are determined or confirmed at least once annually by the Executive Board in the context of the budget process. Furthermore, all transactions above a certain limit determined to be relevant by the Executive Board must first be approved by the Executive Board. The Executive Board is also regularly informed of the nature, scope and amount of current risks. With a view to assets, liabilities and planned transactions, these risks relate in particular to changes in exchange rates and interest rates. It is the objective of financial risk management to limit these market risks of ongoing operative and finance-related activities. For this purpose, depending on the assessment of the financial risk, selected derivative and non-derivative hedging instruments are used.

However, on principle only financial risks are hedged which have significant consequences on the Group's cash flow.

#### 47.2. Currency risks

STADA's Group and balance sheet currency is the euro. Due to the international alignment of business activities, STADA is subject to risks arising from exchange rate fluctuations.

On the one hand, these risks consist of potential changes in value, especially of receivables and liabilities in a currency other than the respective functional currency as a result of exchange rate fluctuation (transaction risk).

STADA counters risks from currency related cash flow fluctuations with derivative financial instruments, which are exclusively used to hedge currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In addition to natural hedges, STADA generally employs different financial derivatives to hedge assets, liabilities and anticipated future cash flows denominated in foreign currency. In the reporting year 2014, STADA made particular use of foreign-exchange futures contracts and interest/currency swaps. The maturity dates of futures contracts are thereby selected to match the Company's anticipated cash flows. These contracts are currently valid for up to three years.

In the context of consolidated financial statements, on the other hand, exchange rate fluctuations lead to an accounting effect as a result of the conversion of the balance sheet items as well as the conversion of earnings and expenses of international Group companies with a different functional currency than euro (translation risk). The appreciation of the euro as compared to the other currencies is generally negative and depreciation is generally positive. Currency risks primarily stem from business transactions in the following currencies: Russian ruble, pound sterling and Serbian dinar. This risk is not hedged.

It cannot be ruled out, however, that hedging strategies against currency risks turn out to be insufficient, wrong or suboptimal.

STADA determines quantitative disclosures on risks in connection with currency changes by means of aggregating all of the Group companies' foreign currency items that are not denominated in the respective Group company's functional currency. In case of hedging transactions they are compared with the positive or negative balances from the aggregation. This results in the subsequent material outstanding foreign

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Risk management, derivative financial instruments and disclosures on capital management (Continued)

currency items as of the respective balance sheet dates, which in case of a change to the foreign currency item due to a 10% appreciation or a 10% depreciation of the euro are as follows:

in € 000s	Dec. 31, 2014				Dec. 31, 2013		
	Kazakhstani tenge	Ukrainian hryvnia	Serbian dinar	Russian ruble	Russian ruble	US dollar	Kazakhstani tenge
Outstanding foreign currency item	-14,866	-28,117	+12,322	+7,932	-65,032	-31,319	-9,445
Income (+)/expense (-) from an appreciation of the euro by 10%	-1,487	-2,812	+1,343	-588	-7,180	+3,132	-945
Income (+)/expense (-) from a depreciation of the euro by 10%	+1,487	+2,812	-1,343	+588	+7,180	-3,132	+945
Equity increase (+)/equity reduction (-) from an appreciation of the euro by 10%	-1,510	-2,425	-5,301	-15,890	-12,401	+3,132	-1,004
Equity increase (+)/equity reduction (-) from a depreciation of the euro by 10%	+1,510	+2,425	+5,301	+15,890	+12,401	-3,132	+1,004

Here, any currency risk is isolated, i.e. it is taken into account without mutual dependencies.

The outstanding foreign currency items in the Russian ruble and Serbian dinar relate to a balance from foreign currency reserves at international Group companies in euro and outstanding foreign currency reserves in the Russian ruble and Serbian dinar. The reported outstanding foreign currency items in Kazakhstani tenge and Ukrainian hryvnia exclusively relate to foreign currency reserves at international Group companies in euro. The risk in connection with the outstanding foreign currency reserves in euro, from the Group's perspective, results from the functional currency of the respective international Group company. Overall, based on outstanding foreign currency items as of the balance sheet date, an appreciation or a devaluation of the euro by 10% compared to the currencies of relevance for the Group would have led to an effect on earnings in the amount of an expense of € 7.1 million (previous year: € 7.6 million) or in the amount of earnings of € 7.1 million (previous year: € 7.6 million).

#### 47.3. Interest rate risks

STADA is subject to interest risks from financial assets as well as financial debts, primarily in the Euro zone and Russia.

In order to minimize the effects of significant interest rate fluctuations, STADA manages the interest rate risk, to the extent possible, for the financial liabilities denominated in euro with hedging transactions. In financial year 2014, to hedge the interest rate risk, there were cash flow hedges in the form of interest-rate swaps. Taking into account these hedging transactions, an average of 85% (previous year: 72%) of financial liabilities denominated in euro and 41% (previous year: 100%) of those denominated in ruble had fixed interest rates in 2014.

STADA calculates existing interest rate risks using sensitivity analyses, which show the effects of changes in market interest rates on interest payments, interest income and expenses as well as equity. The following factors are generally included in the calculation:

- changes in the market interest rate of interest rate derivatives designated as hedging instruments in the context of cash flow hedges,
- changes in the market interest rate of original financial liabilities with variable interest rates that are not hedged against interest rate risks, and
- changes in the market interest rate of interest rate derivatives not part of a hedging relationship.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Risk management, derivative financial instruments and disclosures on capital management (Continued)

in € million	Dec. 31, 2014	Dec. 31, 2013
Income (+)/expense (–) from an increase in the market interest rate level of 100 basis points . . . . .	– 0.5	– 2.1
Income (+)/expense (–) from a decrease in the market interest rate level of 100 basis points . . . . .	+ 0.4	+ 2.0
Equity increase (+)/equity reduction (–) from an increase in the market interest rate level of 100 basis points . . . . .	+ 1.0	+ 2.2
Equity increase (+)/equity reduction (–) from a decrease in the market interest rate level of 100 basis points . . . . .	– 1.0	– 2.2

#### 47.4. Default risks

In addition, STADA may be exposed to a default risk in its operating business or as a result of financing activities if contracting parties fail to meet their obligations.

To avoid default risks in financing activities respective credit management processes are in place and such transactions are generally only concluded with counterparties of impeccable financial standing.

Risks of default exist as a result of the supply of goods and services. In addition, there is the risk that in a difficult economic and financial environment, national health care systems delay or fail to make payments to STADA or business partners of STADA and that, as a result, directly or indirectly increased default risks arise.

STADA therefore strives to maintain business relations only with business partners of impeccable financial standing and in addition, partly uses suitable measures to safeguard itself against default risk, such as guarantees, letters of credit, credit insurance or the transfer of assets. However, it cannot be ruled out that these measures are insufficient and non-payments of individual debtors, and therefore burdens from one-time special effects, arise to a significant extent. Past due receivables in the operating area are continuously monitored and potential default risks are anticipated through the creation of valuation adjustments.

The supply of goods and services to international wholesalers is subject to special monitoring. Concentrations of risk are assumed if debtors exceed a particular credit volume, for which no securities were transferred. As of the balance sheet date however, there are no significant concentrations of risks at STADA exceeding the value adjustments for receivables with respect to local wholesalers in CEE countries classified as a special effect in previous years.

STADA's maximum credit default risk is calculated from the carrying amounts of the financial assets recognized. In addition, STADA granted guarantees, which amounted to a total nominal volume of € 25.3 million (previous year: € 156.4 million) as of the balance sheet date (see Note 45.). STADA has various forms of collateral for credit securities such as mortgages, bank or corporate guarantees, assignments of receivables and pledged inventories. Furthermore, there is commercial credit insurance for certain markets and customers.

#### 47.5. Liquidity risks

The Group's liquidity was guaranteed at all times in financial year 2014. In the context of continuous liquidity planning, the cash flows of all companies are regularly monitored. In order to secure the financial flexibility and financial security of STADA, a liquidity reserve in the form of cash is held and supplemented by free credit lines. For this purpose, STADA regularly concludes bilateral credit contracts for a period of at least 12 months with various banks. The refinancing of the financial liabilities is consequently monitored in the context of continuous liquidity planning.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Risk management, derivative financial instruments and disclosures on capital management (Continued)

#### 47.6. Other price risks

In the context of a hypothetical risk assessment, there are also other price change risks related to market prices. However, as of the balance sheet date, STADA only recognizes available-for-sale financial assets, whose fair values are determined based on market prices, to a minor extent.

#### 47.7. Derivative financial instruments and hedging instruments

STADA counters risks from fluctuations in cash flow with derivative financial instruments, which are exclusively used to hedge interest and currency risks resulting from operating activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for speculation purposes.

In financial year 2014, there are cash flow hedges exclusively in the form of payer interest rate swaps. Here, variable interest payments are transformed into fixed interest payments and the cash flow risk of variable interest liabilities is thus hedged. In the context of these hedging relationships, interest rate related cash flow changes of the hedged items are netted with cash flow changes of interest rate swaps.

In financial year 2014, no new payer interest-rate swaps were designated as cash flow hedges in order to secure interest payments from promissory notes.

Foreign currency derivatives are generally held to hedge the fair value of assets or liabilities. As of the balance sheet date, there are three currency swaps, which serve to hedge foreign currency loans, but which were not designated as fair value hedge.

	Start	Term in days	Swap from nominal value	Swap to nominal value
Currency swap . . . . .	Dec. 10, 2014	91	kRUB 1,088,000	kEUR 15,485
Currency swap . . . . .	Dec. 17, 2014	365	kAED 850	kEUR 185
Currency swap . . . . .	Dec. 23, 2014	94	kCHF 2,000	kEUR 1,665

The income from the measurement of these hedging transactions in the total amount of € 0.7 million was netted under currency translation result, recognized under other expenses.

As of the balance sheet date, furthermore, there are four interest rate/currency swaps in the form of cross-currency swaps, which serve to hedge foreign currency loans, but which were not designated as fair value hedge.

	Start	End	Swap from nominal value	Swap to nominal value
Interest rate/currency swap . . . . .	Mar. 27, 2012	Apr. 25, 2016	kRUB 206,500	kEUR 5,336
Interest rate/currency swap . . . . .	Apr. 23, 2012	Jan. 25, 2017	kRUB 1,904,100	kEUR 49,075
Interest rate/currency swap . . . . .	Oct. 11, 2012	Dec. 12, 2016	kRUB 321,100	kEUR 8,007
Interest rate/currency swap . . . . .	Dec. 12, 2012	Dec. 11, 2017	kCHF 29,000	kEUR 23,927

The earnings from the measurement of these hedging transactions were netted under currency translation result in other expenses in the total amount of € 18.4 million (previous year: € 8.0 million) and in the amount of € 3.6 million (previous year: € 1.6 million) under other financial income. The currency translation effects of the individual hedged items as well as the cross-currency swaps balance out in the currency translation result.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Risk management, derivative financial instruments and disclosures on capital management (Continued)

The total volume of currency and interest rate related derivatives is comprised as follows:

in € 000s	Dec. 31, 2014		Dec. 31, 2013	
	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives without hedging relationship</b>				
Interest rate/currency swaps . . . . .	86,346	32,048	95,151	10,037
Other derivatives . . . . .	17,335	744	51,218	– 388
<b>Derivatives with hedging relationship</b>				
Interest rate swaps . . . . .	117,000	– 2,666	117,000	– 4,748
<i>thereof</i>				
• fixed rate payer . . . . .	117,000	– 2,666	117,000	– 4,748
• fixed rate recipient . . . . .	—	—	—	—
<b>Total</b> . . . . .	<b>220,681</b>	<b>30,126</b>	<b>263,369</b>	<b>4,901</b>

The terms of the cash flow hedges existing as of the balance sheet date end between 2015 and 2016.

All hedges are assumed to be highly effective as the important features are nearly identical (critical terms match). As of the balance-sheet date, all of the hedging relationships presented above were effective. All changes in the fair value of the derivative hedging instruments were therefore recognized directly in equity under “Provisions for cash flow hedges”. In financial year 2014, the resulting earnings amounted to € 1.5 million after consideration of deferred taxes (previous year: € 2.3 million).

### 47.8. Disclosures on capital management

The objectives of the STADA capital management are the safeguarding of the business operation, the creation of a solid equity base for financing profitable growth and guaranteeing attractive dividend payments and the capital service. The STADA capital management consistently aims for the Group companies to have an equity basis that corresponds to the local requirements. When implementing and checking the Group’s capital and liquidity the legal requirements are taken into account.

Capital is monitored on the basis of net debt, which results from current and non-current financial liabilities minus cash and cash equivalents as well as available-for-sale securities. As an important key figure for capital management at STADA, the net debt to adjusted EBITDA ratio, which improved to 3.1 in the reporting year as compared to the previous year (previous year<sup>(1)</sup>: 3.2).

In this connection, the net debt and net debt to adjusted EBITDA ratio were as follows:

in € 000s	Dec. 31, 2014	Dec. 31, 2013 <sup>(1)</sup>
Non-current financial liabilities . . . . .	1,042,998	1,140,571
Current financial liabilities . . . . .	448,703	292,484
<b>Gross debt</b> . . . . .	<b>1,491,701</b>	<b>1,433,055</b>
Cash, cash equivalents and “available-for-sale” securities . . . . .	164,238	126,209
<b>Net debt</b> . . . . .	<b>1,327,463</b>	<b>1,306,846</b>
<b>EBITDA (adjusted)</b> . . . . .	<b>431,888</b>	<b>414,271</b>
<b>Net debt to adjusted EBITDA ratio</b> . . . . .	<b>3.1</b>	<b>3.2</b>

### 48. Related party transactions

In the scope of the ordinary course of business, STADA Arzneimittel AG and/or its consolidated companies have entered into related party transactions. In accordance with IAS 24, “related parties” refers to directly or indirectly controlled subsidiaries that are not consolidated due to lack of material significance, associates and joint ventures as well as persons in key positions and their close relatives. In principle, all trades are settled with related companies and natural persons at market-rate conditions.

(1) The previous year’s figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Related party transactions (Continued)

#### 48.1. Transactions with related persons

Persons in key positions are the board members of STADA Arzneimittel AG, the remuneration of whom, including further information on the principles of the remuneration system, is presented in detail in the Management Report (see “Remuneration Report”), as well as the summary in Note 49. in relation to quantitative disclosures.

In the course of their normal professional activities, individual members of the Supervisory and Advisory Boards who are self-employed have business dealings with STADA. These are not significant as regards volume and nature.

In financial year 2014, Steffen Retzlaff, the son of the Chairman of the Executive Board, Hartmut Retzlaff, was appointed Managing Director of Hemopharm GmbH Pharmazeutisches Unternehmen, STADAvita GmbH, PharmaSwyzz Deutschland GmbH and STADA PHARMA Bulgaria EOOD as well as member of the Board of Directors of STADA MENA DWC-LLC.

#### 48.2. Transactions with related companies

Within assets and liabilities, the following amounts are primarily related to transactions involving affiliated companies:

in € 000s	Dec. 31, 2014	Dec. 31, 2013
<b>Trade accounts receivable</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	44	94
Associates . . . . .	309	40
Joint ventures . . . . .	—	—
Other investors . . . . .	739	165
<b>Trade accounts payable</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	62	7,034
Associates . . . . .	547	480
Joint ventures . . . . .	—	—
Other investors . . . . .	—	551

Expenses and income essentially relate to related party transactions as follows:

in € 000s	2014	2013 <sup>(1)</sup>
<b>Sales</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	—	—
Associates . . . . .	—	—
Joint ventures . . . . .	—	1,330
Other investors . . . . .	1,427	1,635
<b>Interest income</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	64	144
Associates . . . . .	447	868
Joint ventures . . . . .	—	41
Other investors . . . . .	—	—
<b>Interest expense</b>		
Non-consolidated subsidiaries/joint ventures . . . . .	—	—
Associates . . . . .	—	—
Joint ventures . . . . .	—	—
Other investors . . . . .	—	—

(1) The previous year's figures have been adjusted in accordance with the new IFRS 11 in connection with IAS 8 as well as in connection with IAS 1 (see Notes to the Consolidated Financial Statements—3.).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Related party transactions (Continued)

In addition, the following disclosures on related party transactions are made:

STADA continues to provide the associated company BIOCEUTICALS Arzneimittel AG with a credit line facility with an interest rate that is partly usual for risk capital and of which a total of € 3.3 million (previous year: € 15.6 million) had been used as of December 31, 2014.

There is a service contract with BIOCEUTICALS Arzneimittel AG, as well as semi-exclusive distribution rights for Epo-zeta in Germany granted by BIOCEUTICALS Arzneimittel AG to, among others, cell pharm Gesellschaft für pharmazeutische und diagnostische Präparate mbH. In some other European countries (such as Serbia or Russia, for example), a local STADA-owned subsidiary can receive or has already received at the same time a semi-exclusive local sales license as well. BIOCEUTICALS Arzneimittel AG has so far not made use of any own personnel—except for the company's boards according to stock corporation law—but has exclusively assigned companies from the STADA Group with this, which invoice at normal market conditions.

Furthermore, STADA also had business relations with its fellow partner of the Chinese subsidiary STADA Import/Export International Ltd. As of the balance sheet date, outstanding loan liabilities in the amount of € 0.5 million resulted from this business relationship.

### 49. Remuneration of the Executive Board and the Supervisory Board

The aggregate remuneration of the Executive Board and the Supervisory Board including further information on the principles of the remuneration system are presented in detail in the Management Report (see "Remuneration Report").

In summary, the following disclosures regarding the remuneration of the Executive Board and Supervisory Board at STADA Arzneimittel AG are made according to IAS 24 in consideration of the disclosure requirements of Section 314 (1) no. 6a sentence 1 - 4 of the German Commercial Code:

in € 000s	Fixed and variable current remuneration		Termination benefits		Post-employment benefits		Expenses for pension commitments earned in the current year		Other remuneration planned for the longer-term		Total remuneration in accordance with IFRS	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Members of the Executive Board	8,001 <sup>(1)</sup>	6,266 <sup>(2)</sup>	—	2,753	—	—	– 17,603 <sup>(3)</sup>	940	—	—	– 9,602	9,959
Members of the Supervisory Board . . . . .	1,045	1,062	—	—	—	—	—	—	—	—	1,045	1,062

(1) Thereof progress payments on variable long-term special remuneration in the total amount of € 2,759,275 as a result of achieving the annual interim goals in the respective individual contracts for financial year 2014.

(2) Thereof progress payments on variable long-term special remuneration in the total amount of € 1,206,250 as a result of achieving the annual interim goals in the respective individual contracts for financial year 2013.

(3) In the context of the changed plan and the resulting changes with regard to the benefits awarded according to the former benefit plan there were earnings from past service cost in the amount of € 17.6 million. In addition, an expense from administrative costs for the benefit plan in the amount of € 0.7 million and an expense from the adjustment of plan assets in the amount of € 1.0 million were incurred. The balance of the two items were earnings of € 15.9 million, which were recorded in general and administrative expenses.

Remuneration to former members of the Executive Board amounted to a total of € 293,000 in financial year 2014. The fair value of pension commitments for former Executive Board members amounted to € 12,514,000 as of December 31, 2014.

There were no loans granted to members of the Executive Board and Supervisory Board at STADA Arzneimittel AG as of the balance sheet date. Nor has STADA taken on any contingent liabilities for the benefit of the Board members of STADA Arzneimittel AG.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 50. Fees for the auditor

In financial year 2014, the following professional fees were recognized as expenses for services rendered by the auditor of the consolidated financial statements, PKF Deutschland GmbH:

in € 000s	2014	2013
Fees for the auditor . . . . .	475	471
• thereof for audits . . . . .	348	328
• thereof for other confirmation services . . . . .	92	82
• thereof for other services . . . . .	35	61

The fees for audits relate to payment for the audit of the consolidated financial statements as well as the audit of the financial statements of STADA Arzneimittel AG and its German subsidiaries, each at the end of the financial year.

Other confirmation services include the review of the interim consolidated financial statements of June 30 of the corresponding financial year.

### 51. Corporate governance

The declaration on the German Corporate Governance Code prescribed by Section 161 of the German Stock Corporation Act (AktG) was last issued by the Executive Board and Supervisory Board on November 11, 2014. The declaration is publicly available via the Company's website ([www.stada.de](http://www.stada.de) in German or [www.stada.com](http://www.stada.com) in English) and is also presented in the Annual Report.

### 52. Events after balance-sheet date

No material events have occurred since the reporting date that could have a significant effect on the Group's business, financial and earnings situation.

### 53. Dividend

According to the German Stock Corporation Act, the distributable dividend is determined according to the distributable profit reported by STADA Arzneimittel AG in its annual financial statements prepared in accordance with the rules and regulations of the German Commercial Code. This amounted to € 49,317,995.91 as of December 31, 2014. The Executive Board of STADA Arzneimittel AG proposes that a dividend of € 0.66 per common share be appropriated from this distributable profit for financial year 2014. In financial year 2014, a dividend in the amount of € 0.66 per common share was distributed to shareholders from the distributable profit of financial year 2013.

Bad Vilbel, March 23, 2015



H. Retzlaff  
Chairman  
of the Executive Board



H. Kraft  
Chief Financial Officer



Dr. M. Wiedenfels  
Chief Business Development  
& Central Services Officer



## RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for consolidated financial statements reporting, the consolidated financial statements give a true and fair view of the business, financial position and results of operations and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Bad Vilbel, March 23, 2015



H. Retzlaff  
Chairman  
of the Executive Board



H. Kraft  
Chief Financial Officer



Dr. M. Wiedenfels  
Chief Business Development  
& Central Services Officer

## AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by STADA Arzneimittel Aktiengesellschaft, Bad Vilbel, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. (paragraph) 1 HGB ("Handels-gesetzbuch": German Commercial Code) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on these consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt, March 23, 2015

PKF Deutschland GmbH  
Wirtschaftsprüfungsgesellschaft



Annika Fröde  
German Public Accountant



Santosh Varughese  
German Public Accountant

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**OFFERING MEMORANDUM**

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**Nidda Healthcare Holding AG**  
**Nidda BondCo GmbH**

**€735,000,000 3½% Senior Secured Notes due 2024**  
**€340,000,000 5% Senior Notes due 2025**