IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OR (2) OUTSIDE THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering memorandum following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the preliminary offering memorandum. In accessing the preliminary 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.

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 OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PRELIMINARY 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 SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the preliminary offering memorandum or make an investment decision with respect to the securities, investors must be either (1) Qualified Investment Buyers within the meaning of Rule 144A under the Securities Act ("QIBs") or (2) outside the United States. The preliminary offering memorandum is being sent at your request. By accepting the e-mail and accessing the preliminary offering memorandum, you shall be deemed to have represented to us that:

(1) you consent to delivery of such preliminary offering memorandum by electronic transmission, and

(2) either:

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

  (b) the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia.

Prospective purchasers that are QIBs are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

You are reminded that the preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession the preliminary 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 preliminary offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the preliminary 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 preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the initial purchasers, or any person who controls any of the initial purchasers, nor any of its or their directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the preliminary offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

SUBJECT TO COMPLETION, DATED SEPTEMBER 24, 2004

OFFERING MEMORANDUM **CONFIDENTIAL**

VENDEXKBB

€275,000,000

VICTORIA ACQUISITION III B.V.

€ Floating Rate Notes due 2014

€ % Senior Notes due 2014

Guaranteed on a Senior Subordinated Basis by Certain of its Subsidiaries

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The € Floating Rate Notes due 2014 (the "Floating Rate Notes") will bear interest from the date of their issuance at a rate per year, reset semi-annually, equal to six-month EURIBOR plus %. The € Senior Notes due 2014 (the "Fixed Rate Notes" and together with the Floating Rate Notes, the "notes") will bear interest at the rate of % per year. Interest on the notes is payable on and of each year, beginning on . The notes will mature on , 2014. We may redeem some or all of the Floating Rate Notes at any time on or after . In addition, at any time prior to , we may redeem up to 40% of the Floating Rate Notes with the proceeds from specified equity offerings. We may redeem some or all of the Fixed Rate Notes at any time on or after , 2008. In addition, at any time prior to , 2007, we may redeem up to 40% of the Fixed Rate Notes with the proceeds from specified equity offerings. In addition, at any time prior to , 2008, we may redeem all or part of the Fixed Rate Notes by paying a "make-whole" premium. The redemption prices are described under the caption "Description of the Notes—Optional Redemption."

The issuer is an indirect parent company of Koninklijke Vendex KBB B.V. ("Vendex KBB"), and its only significant assets are a funding loan to Vendex KBB equal to the gross proceeds of this offering (the "funding loan") and the equity of VDXK Acquisition B.V. ("VDXK"), the parent company of Vendex KBB.

The notes will be senior obligations of the issuer and will rank equally with all of its other unsecured senior indebtedness. The notes will be guaranteed (the "Guarantees") on a senior subordinated basis by certain subsidiaries of the issuer (the "Guarantors"), and secured by a second priority pledge over the funding loan and a second priority pledge over the shares of VDXK and Vendex KBB.

The notes and the Guarantees are subject to important conditions, including a standstill period of 179 days that must elapse following the occurrence of an event of default under the notes before any enforcement action may be taken in respect of the notes and the Guarantees.

Application has been made to list the notes on the Irish Stock Exchange.

Investing in the notes involves risks. See "Risk Factors" beginning on page 21.

The notes and the Guarantees have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. Accordingly, the notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the notes, see "Plan of Distribution" and "Notice to Investors."

Floating Rate Notes: %
Fixed Rate Notes %
plus, in each case, accrued interest, if any, from , 2004

The initial purchasers expect to deliver the notes to purchasers on or about , 2004.

Joint Book-Running Lead Managers

Citigroup **ING**

Joint Lead Manager

ABN AMRO

, 2004


HEMA


BRICO


DYNABYTE
STOP
PAK GRATIS MEE!
DYNABYTE
DYNABYTE
ONE STOP COMPUTERSHOP
€ 42,95

You should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized anyone to provide you with different information. We are not, and the initial purchasers are not, making an offer of these securities in any jurisdiction where this offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

Table of Contents

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the securities described in this offering memorandum. 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 securities. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

We confirm that to the best of our knowledge, information and belief, having made all reasonable inquiries, the information contained in this offering memorandum regarding us and the notes is true and accurate in all material respects. We additionally confirm, except as provided below, that the opinions and intentions expressed herein are honestly held and that there are no other material facts, the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading. We accept responsibility accordingly. However, the information set out in relation to sections of this offering memorandum describing clearing arrangements, including the section entitled "Book-Entry; Delivery and Form," is subject to any change in or reinterpretation of the rules, regulations and procedures of the Euroclear System ("Euroclear") or Clearstream Banking *société anonyme* ("Clearstream Banking") currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream Banking, we accept no further responsibility in respect of such information. In addition, this offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchasers.

The initial purchasers will provide you with a copy of this offering memorandum and any related amendments or supplements. By receiving this offering memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the initial purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the notes.

Neither the Securities and Exchange Commission (the "SEC"), any state securities commission nor any other regulatory authority, has approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled "Plan of Distribution" and "Notice to Investors."

In making an investment decision, prospective investors must rely on their own examination of the company and the terms of the offering, including the merits and risks involved. In addition, neither we nor the initial purchasers nor any of our or their respective representatives are making any

representation to you regarding the legality of an investment in the notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; neither we nor the initial purchasers shall have any responsibility for any of the foregoing legal requirements.

We cannot guarantee that our application to list the notes on the Irish Stock Exchange will be approved as of the settlement date for the notes or at any time thereafter, and settlement of the notes is not conditioned on obtaining this listing.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CERTAIN REGULATORY ISSUES RELATED TO THE UNITED KINGDOM

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as "relevant persons"). The notes are available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

CERTAIN REGULATORY ISSUES RELATED TO THE NETHERLANDS

This offering memorandum may not be distributed and the notes (including any rights representing an interest in a global note) may not be offered, sold, transferred or delivered *anywhere in the world* to anyone other than certain classes of eligible investors (professional market parties) as defined under Dutch banking regulations and are subject to extensive transfer and selling restrictions as more fully set out in the section entitled "Plan of Distribution."

Interests in the notes will be available initially in book-entry form. We expect the notes sold will be issued in the form of one or more global notes for each series of notes. The global notes will be deposited and registered in the name of a common depositary for Euroclear and Clearstream Banking. Transfers of interests in the global notes will be effected through records maintained by Euroclear, Clearstream Banking and their respective participants. After the initial issue of the global notes, the notes will not be issued in definitive registered form except under the circumstances described in the section "Book-Entry; Delivery and Form."

STABILIZATION

In connection with the offering, Citigroup or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the notes and any associated securities at a level higher than that which might otherwise prevail for a limited period after the issue date.

However, neither Citigroup nor any person acting for it has any obligation to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this offering memorandum. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "believe," "is anticipated," "estimated," "intends," "expects," "plans," "seek," "projection" and "outlook." These statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this offering memorandum. Among the key factors that may have a direct bearing on our results of operations are:

- risks associated with our high leverage and debt service obligations;
- the impact of restrictive debt covenants on our operating flexibility;
- uncertainties associated with general economic conditions in the Netherlands and across Europe;
- factors affecting our ability to compete in a competitive market;
- uncertainties associated with our ability to implement our business strategy;
- uncertainties associated with the restructuring of our Vroom & Dreesmann business unit;
- uncertainties associated with changing customer preferences and demands;
- risks relating to the seasonal nature of our business;
- risks relating to unseasonal weather conditions;
- risks relating to our real estate property;
- risks relating to our ability to recruit and retain senior management and personnel;
- risks relating to sourcing products from foreign markets;
- the impact of shop crime and fraud;
- uncertainties associated with our reliance on, and our ability to upgrade and maintain, our information technology systems;
- risks relating to the evolution of the funding coverage ratio of our pension funds and the applicable accounting standards;
- risks relating to our ability to maintain the reputation of, and value associated with, our brand names;
- risks relating to conflicting interests of our principal shareholders and holders of the notes; and
- other risks and uncertainties inherent to our business.

These and other factors are discussed in "Risk Factors" and elsewhere in this offering memorandum.

Because the risk factors referred to in this offering memorandum could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this offering memorandum by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict which factors they will be. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

INDUSTRY AND MARKET DATA

Information relating to markets, market size, market share, market position, growth rates, penetration rates, average prices and other industry data pertaining to our business contained in this offering memorandum consists of estimates based on data reports compiled by professional organizations and analysts, on data from external sources, on our knowledge of our sales and markets and on our own calculations based on such information. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, thus requiring us to rely on internally developed estimates. While we have compiled, extracted and reproduced market or other industry data from external sources, including third party or industry or general publications, neither we nor the initial purchasers have independently verified the data. We cannot assure you of the accuracy and completeness of, and take no responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, they have not been verified by any independent sources, and we cannot assure you as to their accuracy.

PRESENTATION OF FINANCIAL AND OTHER DATA

Unless otherwise indicated, references in this offering memorandum to "euro" or "€" are to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union pursuant to the Treaty Establishing the European Community, as amended from time to time; references to "dollars," "US$" or "$" are to the lawful currency of the United States of America; and references to "we," "us," "our," or similar terms are, prior to the acquisition of Vendex KBB, to Vendex KBB and its consolidated subsidiaries, and, thereafter, to Victoria Acquisition III B.V. and its consolidated subsidiaries, including Vendex KBB and its subsidiaries, except where the context otherwise requires.

We prepare our consolidated financial statements in euro. Unless otherwise indicated, all Dutch Guilder ("NLG") amounts have been translated into euro at an exchange rate of €1.00=NLG 2.20371.

The consolidated financial statements of the issuer and Vendex KBB contained in this offering memorandum are derived from the financial statements that were prepared for Dutch legal and statutory purposes in accordance with the law governing the preparation of financial statements in the Netherlands. There are significant differences between Dutch generally accepted accounting principles ("Dutch GAAP") and International Financial Reporting Standards ("IFRS"). For more information, see "Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS."

In accordance with Dutch GAAP, we have classified certain Dutch Hybrid Instruments issued by us as a form of equity. Under IFRS, however, these instruments would be likely to be treated as a liability, and, for certain purposes under the indenture governing the notes (the "Indenture") these instruments will be considered as indebtedness. However, given their current treatment under Dutch GAAP, we have described the Dutch Hybrid Instruments as a form of equity throughout this Offering Memorandum. See "Description of Certain Indebtedness—Dutch Hybrid Instruments," "Description of the Notes" and "Annex A-Summary of Significant Differences Between Dutch GAAP and IFRS."

The financial information included in this offering memorandum is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the presentation of financial information prepared on the basis of generally accepted accounting principles in the United States ("US GAAP") and the modification or exclusion of certain financial measures, including EBITDA and adjusted EBITDA (as defined herein).

Our fiscal year is a 52-week or 53-week period that ends on the Sunday closest to January 31 of each year. Half-year figures represent the period from the end of the prior fiscal year to the Sunday closest to July 31st of the relevant year. Accordingly, references herein to:

- "Fiscal 2005" are to the 52-week period ending January 29, 2006;
- "Fiscal 2004" are to the 52-week period ending January 30, 2005;
- "Fiscal 2003" are to the 52-week period ending February 1, 2004;
- "Fiscal 2002" are to the 52-week period ending February 2, 2003;
- "Fiscal 2001" are to the 53-week period ending February 3, 2002;
- "Fiscal 2000" are to the 52-week period ending January 28, 2001;
- "Half Year 2004" are to the 26-week period ending August 1, 2004;
- "Half Year 2003" are to the 26-week period ending August 3, 2003; and
- "Last 12 Months" and "LTM" are to the 52-week period ending August 1, 2004.

Continued Activities and Discontinued Activities

Our financial reporting highlights the performance over time of those businesses which we continue to operate. Accordingly, items reported as being for "continued activities" in all fiscal periods reflect the performance only of the activities that we continue to engage in at present. As such, for all fiscal periods "continued activities" refers to our DIY, HEMA, Apparel, Bijenkorf, Vroom & Dreesmann ("V&D") and Consumer Electronics business units, our property companies and our other activities (in each case as described herein). Accordingly, in any fiscal period, "discontinued activities" are those businesses which we owned during (at least part of) that period but which we no longer own.

Certain Terms Used to Describe Our Retail Operations

In describing our company and our business, we use certain terms customary to the retail sector. Accordingly, the following defined terms are used:

- "SKU" is a stock keeping unit, which is the basic measure of unique retail products. Multiple pieces of merchandise represent a single SKU if they are the same in all material aspects, such as model, size and color;
- "FTE" or "full time equivalent" is an expression of the size of a workforce measured as the total number of paid working hours for that workforce divided by the number of working hours for a standard full time employee during the same period; and
- "m^2" refers to square meters.

EXCHANGE RATES

The following chart shows for certain periods from January 1, 1999 through September 22, 2004, the average, high and low noon buying rates in the City of New York for cable transfers of euro as certified for customs purposes by the Federal Bank of New York expressed as dollars per euro (the "noon buying rate"). The noon buying rate on September 22, 2004, was US$1.2261 per €1.00.

	Low	High	Average(1)	Period End
		(dollars per euro)		
Year				
1999	1.0016	1.1812	1.0588	1.0070
2000	0.8270	1.0335	0.9303	0.9388
2001	0.8370	0.9535	0.8903	0.8822
2002	0.8594	1.0485	0.9495	1.0485
2003	1.0361	1.2597	1.1411	1.2597
Month				
March 2004	1.2088	1.2431	1.2261	1.2292
April 2004	1.1802	1.2358	1.1989	1.1975
May 2004	1.1801	1.2274	1.2000	1.2217
June 2004	1.2006	1.2320	1.2146	1.2179
July 2004	1.2032	1.2437	1.2266	1.2032
August 2004	1.2025	1.2368	1.2191	1.2183
September 2004 (through September 22)	1.2052	1.2282	1.2187	1.2261

(1) The average of the noon buying rates in the City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York on the last day of each month or, in the case of September 2004, the arithmetic mean of the daily noon buying rates for the period from September 1 to September 22 that are published on the website maintained by the Federal Reserve Bank of New York.

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SUMMARY

The following summary highlights selected information from this offering memorandum. It is not complete and does not contain all of the information that you should consider before investing in the notes. Before you decide to invest in the notes, you should read the entire offering memorandum carefully, including the "Risk Factors," "Operating and Financial Review and Prospects" and our audited consolidated financial statements.

Our financial reporting highlights the performance over time of those businesses which we continue to operate. Accordingly, items reported as being for "continued activities" in all fiscal periods reflect the performance only of the activities that we continue to engage in at present. As such, for all fiscal periods "continued activities" refers to our DIY, HEMA, Apparel, Bijenkorf, V&D and Consumer Electronics business units (in each case as described herein), to our property companies (which consist of HEMA Vastgoed B.V., Bijenkorf Vastgoed B.V., Bijenkorf Vastgoed II B.V., V&D Vastgoed B.V. and Mavoma B.V., collectively the "Propcos") and to our other activities (which consist of smaller retail-related and service businesses). Accordingly, in any fiscal period, "discontinued activities" are those businesses which we owned during (at least part of) that period but which we no longer own.

Our Group

We are the leading non-food retailer in the Netherlands with an estimated 8% overall market share and with expanding operations in Belgium, France, Germany, Denmark, Luxembourg and Spain. We were created in 1999 through the merger of two of the oldest and largest retail groups in the Netherlands, Vendex International N.V. and N.V. Koninklijke Bijenkorf Beheer KBB, which were founded respectively in 1887 and 1870. We are organized into six main business units: DIY; HEMA (variety store); Apparel; Bijenkorf and V&D (both department stores); and Consumer Electronics. In addition, we also operate a number of smaller retail-related and service businesses. Our business units comprise a total of 15 retail formats, which we believe represents a diversified portfolio of well-established brands, many of which are household names in the Netherlands.

We operate 1,785 stores, both directly and through franchises, representing approximately two million square meters of net retail space. We estimate that, in the Netherlands alone, our retail formats collectively receive an average of eight million visitors per week.

		LTM turnover		LTM pro forma adjusted EBITDA[(1)]		
	# stores[(2)]	€ million	% group	€ million	% group	Retail Category
DIY	321	1,289	29%	112	42%	Specialty Store
HEMA	313	922	20%	62	23%	Variety Store
Apparel	735	449	10%	44	17%	Specialty Store
Bijenkorf	13	402	9%	14	5%	Department Store
V&D[(3)]	76	760	17%	11	4%	Department Store
Consumer Electronics	317	612	14%	28	10%	Specialty Store
Other[(4)]	10	49	1%	(4)	(1)%	—
Total Restricted Group[(5)]	1,785	4,483	100%	267	100%	—

(1) Pro forma adjusted EBITDA is derived from adjusted EBITDA, after giving effect to the Acquisition, the Refinancing and the Property Transaction. Adjusted EBITDA is defined as EBITDA before exceptional items. For a definition of EBITDA and reconciliations of adjusted EBITDA to EBITDA and EBITDA to Net Result, see "Summary Historical and Pro Forma Financial Data."

(2) Number of stores as of the end of Half Year 2004.

(3) Includes the 16 stand-alone La Place restaurants.

(4) Consists of smaller retail-related and service businesses, including Schaap & Citroen, an up-market jewellery chain operating in the Netherlands; AudioSonic, an international consumer electronics wholesale distributor; Vendex KBB Cards & Financial Services (CFS), our internal financial services provider; Vendex KBB IT Services B.V., our internal information and technology services company; and our corporate overhead costs.

(5) "Restricted Group" refers to our group excluding the Propcos. The EBITDA of the Propcos was €61 million for the Last 12 Months. See "Unaudited Pro Forma Condensed Consolidated Financial Information." Our Propcos own 71 stores (59 HEMA stores, seven V&D stores and five Bijenkorf stores) and three parking lots. The Propcos rent these properties to HEMA, Bijenkorf and V&D. The Propcos are "Unrestricted Subsidiaries" under the terms of the Indenture and are not subject to the restrictive covenants of the Indenture. See "The Acquisition, the Property Transaction and Related Transactions."

Description of Principal Business Units

- ***DIY.*** Our DIY business unit is the leading player in the do-it-yourself market in the Benelux, with a clear leadership position in the consolidating Belgian market and a strong number two position in the Netherlands. Our DIY business unit operates four complementary retail formats (Praxis and Formido in the Netherlands and Brico and Brico Plan-It in Belgium) which together combine larger and smaller size and directly operated and franchise stores, selling an extensive range of home improvement products, decorative items, tools and appliances, principally to retail customers.

- ***HEMA.*** HEMA is a unique general merchandise retailer offering a wide range of attractively designed, good value, everyday household items, under the HEMA brand name. This range of products consists of items regularly used in typical households: cosmetics, basic apparel (baby clothes, underwear and general apparel), hard goods (household goods, linen and office supplies) and food (including baked goods, meats, confectionery and wine). HEMA is a Dutch institution, enjoying an excellent brand image and a market leadership in a number of categories. HEMA operates stores in the Netherlands, Belgium and, on a pilot basis, in Germany.

- ***Apparel.*** Our Apparel business unit is our most international unit, operating in seven countries, and consists of three retail formats: M&S, Hunkemöller and Claudia Sträter. Our three formats offer private label women's apparel that is carefully designed to appeal to particular segments of the market. M&S is our largest apparel format and is positioned as a discount boutique for women over 35. Hunkemöller is the leading lingerie, swimwear and nightwear retailer in the Benelux, and Claudia Sträter is a niche player in the up-market, professional and casual women's apparel market.

- ***Bijenkorf.*** Bijenkorf is the only national up-market department store chain in the Netherlands. Bijenkorf offers a wide variety of up-market products, including apparel, cosmetics, accessories, household goods, leisure goods and fine foods, with international premium brands and A-brands as well as private label brands.

- ***V&D.*** V&D is the only national middle-market department store chain in the Netherlands. V&D offers a wide variety of products in several categories, including apparel, lifestyle and home entertainment, mostly under its own labels. Most V&D stores also include well-known and popular restaurants operating under the name La Place, and bakery departments operating under the name Le Marché.

- ***Consumer Electronics.*** Our Consumer Electronics business unit operates five retail formats (Dixons, Dynabyte, It's, Modern Electronics and Prijstopper) that cover most segments of the consumer electronics market: multimedia, computer, digital photography, household electronics and brown and white goods. We believe that we are among the leading consumer electronics retailers in the Netherlands. We are currently in discussions with interested parties with respect to the sale of all or part of the Consumer Electronics business unit, which may or may not lead to an agreement.

Our Strengths

Leading Market Position in Attractive and Stable Markets

We are the leading non-food retailer in the Netherlands. We estimate our overall market share of the highly fragmented Dutch non-food retail market at 8%. We are the leading player in the do-it-yourself market in the Benelux, being the market leader in Belgium (with an estimated market share of 20%) and having a strong number two position in the Netherlands (with an estimated market share of 24%). Our HEMA store chain is the largest general merchandiser in the Netherlands, and our

Bijenkorf and V&D department store retail formats are the only national department store chains operating in the Dutch market. Our Apparel formats have strong, well differentiated positions in their respective niche markets, and, including Bijenkorf and V&D, we are, as a group, the largest apparel retailer in the Netherlands. We believe our Consumer Electronics business unit is among the leading consumer electronics retailers in the Netherlands.

Our size enables us to negotiate prices from our suppliers that are lower than those offered to our local competitors, facilitates the negotiation of better rental terms, improves our access to prime real estate locations and gives us the scale necessary to realize cost efficiencies in marketing and central administration.

In addition, we believe that the non-food retail market is relatively more stable in the Netherlands than in many other countries due to regulatory restrictions on out-of-town building developments, space limitations, and a customer preference for city center shopping. We believe that the stability of the market structure has historically favored existing non-food retailers, such as ourselves, over new entrants.

Highly Recognized Brand Names and Well Established Franchises

We believe that our brands are well established in the Netherlands and benefit from strong market positions with many years of continuous operations. Bijenkorf and V&D have been active department store chains for over 100 years, HEMA has operated in the Netherlands for more than 75 years, and Hunkemöller for more than 120 years. Today, our portfolio includes some of the most popular brands in the Netherlands. For example, HEMA was elected the best retail store in the Netherlands in 2003 (Elsevier Retail Survey) for the second consecutive year and Hunkemöller won the Mastercard Retailer of the Year award in 2003. We believe that the established franchises and nearly universal recognition in the Netherlands of our various brand names help to drive a high foot traffic in our stores and represent a significant competitive advantage.

Large Store Portfolio in Prime Locations

We operate directly or through franchises a portfolio of 1,785 stores in the Netherlands (1,168), Belgium (289), France (153), Germany (137), Denmark (19), Luxembourg (10) and Spain (9), representing a net selling space of approximately two million square meters. Our store portfolio is unique in the Netherlands, as a significant portion of our stores are located in prime retail locations, in town centers, along high streets and in major shopping districts. This results in very high foot traffic in our stores. We estimate that in the Netherlands, which has a population of 16.3 million, we receive approximately 8 million visitors per week. We believe that the quality and size of our store portfolio represent a significant competitive advantage, given the limited availability of high quality retail locations in the Netherlands. In addition, we believe that our size and the fact that HEMA, Bijenkorf and V&D often serve as anchor tenants in their respective locations make us an attractive tenant to landlords and provide substantial leverage in negotiating and securing current and future rental agreements.

Diversified Business Portfolio

We are organized into six main business units and operate across three retail categories through a total of 15 retail formats. Our portfolio of retail formats offers customers a diversified range of products and brands that appeal to a broad spectrum of consumer market segments. We sell products that range from do-it-yourself to apparel to electronics and include both branded and private label products. Our 15 different retail formats target consumers in the value, middle-market and up-market segments. For example, HEMA's products typically appeal to value conscious consumers, while V&D and Bijenkorf primarily target the middle-market and up-market customers, respectively. While still geographically concentrated in the Netherlands, we have an increasing presence outside the Netherlands (with 18% of our turnover generated outside the Netherlands in Fiscal 2003). We believe that the diversity of our business portfolio across different market segments and customer spending categories reduces the sensitivity of our business to economic downturns and our exposure to adverse developments in any single product or consumer market segment.

Stable Margins and Cash Flows in our Most Significant Business Units and Adjustable Capital Expenditures

We benefit from relatively stable cash flows, due mainly to consistent EBITDA generation in our most significant business units and predictable and adjustable capital expenditure throughout the group. Despite the recent economic downturn in the Netherlands, one of the most significant in the last 20 years, DIY and HEMA, our two largest EBITDA generators, maintained relatively stable margins.

We have invested €616 million in our business over the past three years which represents 147% of our depreciation charges during that same period. A large part of our capital expenditures represents discretionary investments in store refurbishments, expansions and openings, that we are therefore able to defer, if necessary, to provide greater financial flexibility through the economic cycle.

Experienced and Incentivized Management Team

Our Board of Management and the head of each business unit have an average of 21 years of experience in retail. We believe that the depth of experience of our operational management teams, gained across different retail segments, provides us with an advantage over smaller competitors, allowing us to exchange knowledge of best practices and deploy members of our operational management teams across business units. Our Board of Management, together with approximately 50 other managers, have made a significant equity investment in the group, and have been granted an incentive package with a strong focus on increasing profitability and cash generation.

Principal Shareholders with Significant Retail Sector Experience

We expect to benefit from the relationships, investment experience, retail expertise and Dutch market knowledge of our sponsors, Kohlberg Kravis Roberts & Co. L.P. ("KKR"), Cinven Limited ("Cinven"), Permira Advisers Limited (and other entities which act as advisers or consultants to Permira funds, "Permira") and AlpInvest Partners N.V. ("AlpInvest" and together with KKR, Cinven and Permira, the "Sponsors").

Our Sponsors are some of the world's leading and most experienced private equity firms and have a significant track record of successful investments in the retail industry. Our Sponsors' investments in the retail industry have included Safeway, Stop & Shop, Fred Meyer, Randall's Food Markets, Peacock and Allied Carpets.

Our Strategy

The following identifies some of the key elements of our strategy.

Improve Operations within the Group

Under new ownership, our key priority is to improve the performance of all our business units in order to increase our profitability and to improve our cash flow generation.

To achieve this goal, each of our DIY, HEMA, Apparel, Bijenkorf and V&D business units, with the support of specialized consultants, has conducted over the last three months a comprehensive review of their operations, including for each of their formats an assessment of each significant cost and working capital component. As a result of this review, we have identified across these business units significant cost savings opportunities and working capital improvements that we expect to be able to achieve over the next three years.

We have identified cost savings opportunities that may be realized through (i) the optimization of our head-office functions both in our business units and at corporate level, (ii) the improvement of efficiency in our stores, (iii) productivity gains in our logistics and back office operations through the optimization of our warehouse facilities (particularly in Bijenkorf and Apparel) and additional investments in IT and automation, and (iv) an improvement in our purchasing costs, in particular through a reduction in the number of suppliers of DIY, Bijenkorf and V&D and an increase in the share of our Far East sourcing (in particular related to apparel and do-it-yourself products). We expect that some of these cost savings could be achieved in the near term, and we believe that the reorganization of V&D has demonstrated our ability to achieve cost savings rapidly and on a significant scale, with approximately €50 million cost savings on an annualized basis achieved six months after announcement.

The management of working capital has not previously been a key priority of our business units, and we believe that significant cash-generating opportunities exist through renegotiating payment terms with our suppliers across all of our business units and through improving our inventory management through investment in automation and IT. Some of our business units have significantly shorter payment terms than comparable businesses operating in similar markets, and we expect to be able to improve payment terms with many of our suppliers in the near term. While the implementation of logistics automation or up-to-date retail software can take time, we believe that the successful mechanization of the HEMA distribution center in 2003 has illustrated our ability to implement such measures and to generate the expected inventory reductions successfully and on a timely basis.

Continue the Integration and Selective Expansion of our DIY Formats

Our DIY formats in the Netherlands and Belgium have historically operated as separate businesses with little coordination. We believe that significant opportunities exist to increase profitability and to reduce working capital by coordinating purchasing across these formats as well as by sharing resources and exchanging best practices between them.

In parallel to the implementation of these measures, we will continue to selectively expand our successful medium-size Brico store concept and large-size Brico Plan-It store concept in Belgium through further conversions and store openings, and thereby drive our like-for-like sales growth and reinforce our market position in the country. We may also pursue selected store-opening opportunities in the Dutch market.

Continue to Implement the V&D Restructuring Plan

The management team led by Mr. Dirk Goeminne, which successfully turned around HEMA in 1998, has developed and started the implementation of a comprehensive restructuring plan aimed at restoring the profitability of V&D by (i) cutting cost and (ii) improving gross margin and re-invigorating like-for-like sales. The first measures of this plan, including a reduction of 1,800 FTEs and the closing of 12 department stores, have already been successfully completed and have resulted in annualized cost savings of approximately €50 million and an improvement in V&D's performance despite a decline in sales. With the business now stabilized, we are focused on improving gross margin and re-invigorating V&D's like-for-like sales growth through a renewal of styling, product offering, advertising, branding and the introduction of a new store concept.

Grow our Business through Selective Initiatives and Disciplined Expansion

In addition to the strategies discussed above, we have taken specific initiatives to drive the like-for-like sales growth in our formats, including in particular, adjusting the M&S product offering in line with its target customer group in the Netherlands, and optimizing our product offering at HEMA (new fresh food offering and improved children and hardware product lines), and we intend to identify and pursue similar initiatives going forward.

We also intend to selectively expand our store portfolio to consolidate our market position in the Netherlands and pursue the international expansion of the retail formats that have demonstrated the ability to grow successfully in other European countries. In addition to the DIY opportunities discussed above, we have identified the opening of HEMA stores in the Netherlands (in smaller catchment areas) and Belgium (to continue HEMA's successful expansion in this country) and the international expansion of M&S (in France and Southern Europe) and Hunkemöller (mostly in Denmark, France and Southern Europe) as the most attractive opportunities.

All investment decisions are based on stringent return on capital requirements and we have adopted a conservative and disciplined approach to our international expansion, starting with extensive market research, followed by deployment of pilot stores and opening of new stores, if appropriate.

Review Strategic Alternatives for Consumer Electronics

We are currently in discussions with interested parties with respect to the sale of all or part of the Consumer Electronics business unit, which may or may not lead to an agreement.

Focus on De-leveraging

One of our key priorities is to reduce our debt levels. To do so, we will aim to maximize the cash flows available for debt reduction through the implementation of initiatives to improve operating efficiencies and a continued focus on the management of our working capital.

The Acquisition

On April 26, 2004, Vendex KBB and VDXK, an acquisition vehicle controlled by investment funds advised by KKR and AlpInvest, announced the key terms of a recommended cash offer for all the outstanding share capital of Vendex KBB (the "Tender Offer"). On August 3, 2004, after the closing of the Tender Offer and the subsequent post-acceptance period, Vendex KBB was delisted from Euronext Amsterdam and VDXK owned 99.56% of its total outstanding share capital. The Tender Offer, the refinancing or retention of the existing indebtedness of Vendex KBB, and the payment of fees and expenses associated therewith (the "Acquisition") amounted to approximately €2.5 billion. The funding of the Acquisition consisted of:

- €970 million of equity and equity related financing;
- €550 million of senior term loans (the "Term Loans") and a revolving credit facility (the "Revolving Credit Facility" and together with the Term Loans, the "Senior Credit Facilities");
- a €600 million property facility (the "Mortgage Loan");
- a €350 million subordinated bridge facility (the "Bridge Facility"); and
- €55 million of existing indebtedness of Vendex KBB that was retained.

On August 5, 2004, investment funds advised by KKR syndicated part of their indirect equity interest in VDXK to investment funds advised by Cinven and investment funds advised by Permira. See "Principal Shareholders."

On or about September 30, 2004, the aggregate principal amount of the Term Loans was increased by €75 million to €625 million and the aggregate principal amount of the Bridge Facility was reduced by €75 million to €275 million. See "—The Refinancing."

The Property Transaction

Our Propcos own 71 stores (59 HEMA stores, seven V&D stores and five Bijenkorf stores) and three parking lots and receive rental payments from our HEMA, Bijenkorf and V&D business units, that are expected to amount to €65 million for Fiscal 2004.

As part of the financing of the Acquisition, our Propcos have borrowed €600 million under the Mortgage Loan on a limited recourse basis, which is expected to be serviced by the rental payments from our HEMA, Bijenkorf and V&D business units. Our Propcos are "Unrestricted Subsidiaries" under the terms of the Indenture and are not subject to the restrictive covenants of the Indenture. We refer to the transactions associated with the Mortgage Loan and the rental payments from our operating business units to our Propcos as described in "The Acquisition, the Property Transaction and Related Transactions—The Property Transaction" as the "Property Transaction."

The Refinancing

On or about September 30, 2004, we have amended the Senior Credit Facilities to increase the aggregate principal amount of the Term Loans by €75 million to €625 million. The proceeds from this €75 million increase of the Term Loans were used to reduce the aggregate principal outstanding amount under the Bridge Loan from €350 million to €275 million.

The proceeds of this offering will be used to repay the remaining €275 million aggregate principal amount under the Bridge Facility. We refer to the increase of the aggregate principal amount of the Senior Credit Facilities and the offering and sale of the notes to repay the Bridge Loan as the "Refinancing." See "Use of Proceeds."

The Issuer

The issuer, Victoria Acquisition III B.V., is a private limited liability company established under the laws of the Netherlands on April 26, 2004. The issuer conducted no operations or other activities prior to the Acquisition.

Our Principal Shareholders

Our principal shareholders are a group of investment funds (the "Consortium") advised by KKR, Cinven, Permira and AlpInvest.

KKR is one of the world's leading and most experienced private equity firms and has a strong track record and expertise in the retail sector. Since its foundation in 1976, KKR has invested in excess of $18 billion in more than 115 transactions, that have represented approximately $118 billion of total financing. KKR is active in Europe through its affiliate's London office as well as in the United States. KKR has invested in transactions representing more than $11 billion in the retail sector, including the acquisitions of Safeway, Stop & Shop, Fred Meyer, Randall's Food Markets, AutoZone and Shoppers Drug Mart.

Cinven is one of Europe's leading private equity firms and has a strong track record in both European non-food retail and the large buyout market in the Netherlands. Established in 1977, Cinven has invested in excess of €7.5 billion in transactions requiring total financing of approximately €40 billion. Cinven operates throughout Europe from its offices in Frankfurt, London and Paris. Retail investments led by Cinven include Peacock, Hoogenbosch and Allied Carpets. Large buyouts led by Cinven in the Netherlands include Nutreco, Kappa Packaging and Kluwer Academic Publishing (now renamed Springer).

Permira is one of Europe's leading private equity firms, advising funds totalling approximately €11 billion, including Permira Europe III, a €5.1 billion fund raised in 2003. Permira is an independent business with offices in London, Frankfurt, Madrid, Milan, Paris, Stockholm and New York focussing on European buyout transactions across a number of sectors, including consumer, technology, business services, chemicals, industrial products and services and healthcare. Since 1985, funds advised by Permira have invested in more than 260 transactions in 15 different countries.

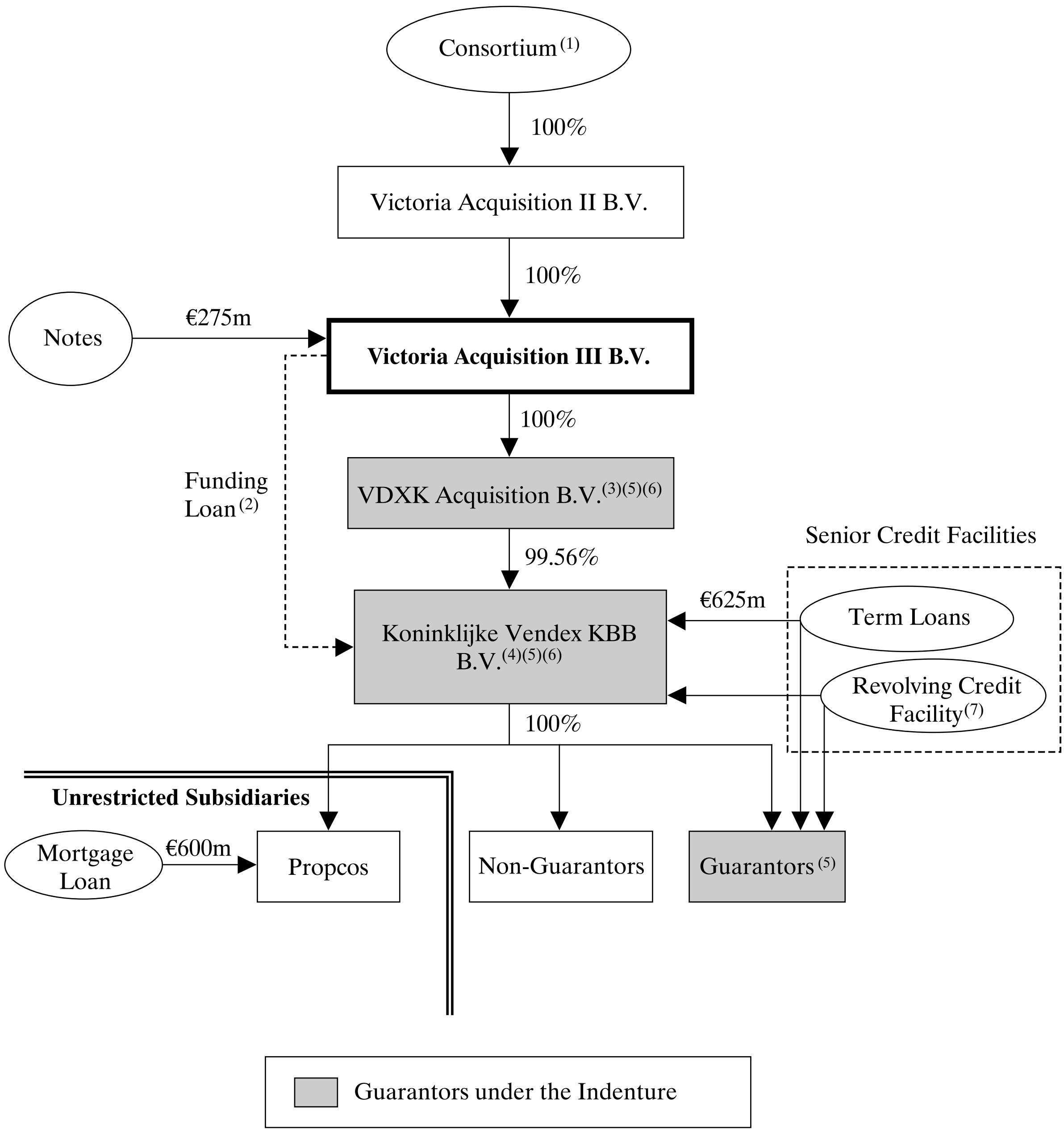
AlpInvest (formerly NIB Capital) is one of the largest private equity investors in the world, with more than €19.9 billion of assets under management. AlpInvest's funds are managed by approximately 100 employees, of whom 60 are investment professionals from offices in Amsterdam, Antwerp, Frankfurt and New York. AlpInvest's shareholders and main investors are ABP and PGGM, two of the largest pension funds in the world with approximately €150 billion and €53 billion of assets under management, respectively.

Recent Developments

In connection with the evaluation of the possible sale of all or part of our Consumer Electronics business unit, discussions have been progressing with a number of interested parties. Since July 31, 2004, we have commenced negotiations regarding the sale of our interest in IMpact Retail B.V. ("IMpact"), which comprises the retail formats It's, Modern Electronics and Prijstopper. If a transaction is concluded at the price forming the basis of the current negotiations, management expects that, in the accounts of Vendex KBB, the disposal would result in a pre-tax book loss of approximately €30 million, which management believes is tax deductible, resulting in an estimated book loss on disposal after tax of €20 million. If no transaction is concluded, management believes it has opportunities to improve the operating profitability of IMpact. Management did not include an impairment loss on the accounts of Vendex KBB in respect of IMpact in its Half Year 2004 financial statements. Had an impairment loss been recorded based on the price forming the basis of the current negotiations, Vendex KBB would have recorded the following accounting entries on its books: (i) a reduction in operating result of approximately €30 million, (ii) a reduction in net result of approximately €20 million and (iii) a reduction in group equity of approximately €20 million. These accounting entries would not have affected cash flow or adjusted EBITDA amounts for the Half Year 2004 presented elsewhere in this offering memorandum. Pending the outcome of negotiations, including the preparation and negotiation of definitive documents, management has not made any decision to sell IMpact at the price forming the basis of the current negotiations, and a transaction may or may not occur. If a transaction does occur at the price forming the basis of current negotiations, Victoria Acquisition III B.V., the issuer, would not record any impairment charge in its consolidated profit and loss accounts since, in connection with its preliminary purchase accounting, the relevant assets were recorded at their then estimated fair value.

Summary Corporate and Financing Structure

The following diagram summarizes certain aspects of our corporate structure and financing after giving effect to the Acquisition, the Property Transaction and the Refinancing. For more information as to the terms of the notes, the Guarantees, see "Description of the Notes."



(1) The Consortium consists of a group of investment funds advised by KKR, Cinven, Permira and AlpInvest. The Board of Management of Vendex KBB and approximately 50 other managers have made an indirect equity investment in Vendex KBB. See "Principal Shareholders" and "Management—Remuneration—Management Participation Plan."

(2) The gross proceeds of the sale of the notes will be loaned to Vendex KBB pursuant to a funding loan. The funding loan will have the same principal amount and repayment terms as the notes. The funding loan is an obligation of Vendex KBB and is subject to a second priority pledge in favor of the holders of the notes and certain restrictions under the intercreditor agreement in favor of the lenders under the Senior Credit Facilities. See "Risk Factors—Risks Relating to the Notes and the Guarantees—The issuer may not be able to recover any amounts under the funding loan because the issuer's right to receive payments under the funding loan are contractually subordinated to other liabilities of Vendex KBB," "Description of Certain Indebtedness—Funding Loan" and "Description of Certain Indebtedness—Intercreditor Agreement."

(3) The notes are secured by a second priority pledge over the shares of VDXK Acquisition B.V.

(4) The notes are secured by a second priority pledge over the shares of Koninklijke Vendex KBB B.V.

(5) As of the date of this offering memorandum, the Guarantors consist of HEMA België B.V., M&S Mode Nederland B.V., Schaap en Citroen B.V., Vroom & Dreesmann Warenhuizen B.V., Vendex KBB Speciaalzaken B.V., Vendex KBB Nederland B.V., Vendex KBB DIY Group B.V., M&S Mode France B.V., M&S Mode International B.V., M&S Mode Spain B.V., Modehuizen Claudia Sträter B.V., Praxis Doe-het-Zelf Center B.V., Praxis Groep B.V., IMpact Retail B.V., IMpact Retail Holding B.V., KBB Buitenland B.V., Magazijn "De Bijenkorf" B.V., Dixons B.V., Formido Bouwmarkten B.V., HEMA B.V., Hunkemöller B.V., Koninklijke Vendex KBB B.V., Divisie Bijenkorf B.V., Divisie HEMA B.V., Divisie Vroom & Dreesmann B.V. and VDXK Acquisition B.V. As of August 1, 2004 and for the Last 12 Months, the subsidiaries of Vendex KBB that are Guarantors collectively held approximately 81% of the assets of Vendex KBB excluding the Propcos, generated approximately 79% of the revenues of Vendex KBB excluding the Propcos and 74% of the adjusted EBITDA of Vendex KBB excluding the Propcos. The Guarantors will guarantee the notes on a senior subordinated basis. The Guarantees are subject to a 179-day standstill on enforcement in certain circumstances and are also subject to release upon certain circumstances. See "Risk Factors—Risks Relating to the Notes and the Guarantees," "Description of the Notes" and "Listing and General Information—Guarantor Information."

(6) We have initiated a squeeze-out procedure which is expected to be completed in the next six months. Subsequently, Vendex KBB is expected to merge into VDXK. While this merger is expected to take place after the completion of the squeeze-out procedure, under certain circumstances, the Consortium may cause the merger to occur prior to the completion of the squeeze-out procedure.

(7) The Revolving Credit Facility consists of up to €265 million available to finance working capital and other general corporate purposes.

The Offering

The following summary of the offering contains basic information about the notes and the Guarantees. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the notes and the Guarantees, including certain definitions of terms used in this summary, please refer to the section of this offering memorandum entitled "Description of the Notes."

Issuer	Victoria Acquisition III B.V.
Notes offered	€ million aggregate principal amount of Floating Rate Notes due , 2014; and € million aggregate principal amount of % Senior Notes due , 2014. We may issue additional notes in the future, subject to compliance with the covenants in the Indenture.
Maturity date	The notes will mature on , 2014.
Interest rate	For the Floating Rate Notes: six-month EURIBOR plus % per year. For the Fixed Rate Notes: % per year.
Interest payment dates	The interest on the notes will accrue from the date of issuance and will be payable semi-annually in arrears on and of each year, commencing on , 2005.
Use of proceeds	We intend to use the gross proceeds of the offering of the notes to make a funding loan to Vendex KBB. Vendex KBB will use the proceeds of the funding loan to repay the principal amount outstanding under the Bridge Facility. See "Use of Proceeds."
Denominations	Each note will have a minimum denomination of €50,000.
Ranking of the notes	The notes will be senior obligations of the issuer and will rank equal in right of payment with each other and all of the issuer's existing and future senior debt. The notes will rank senior to any of the issuer's existing or future indebtedness that is expressly subordinated to the notes.
Guarantees	The notes will be guaranteed on a senior subordinated basis by the Guarantors. As of August 1, 2004 and for the Last 12 Months, the subsidiaries of Vendex KBB that are Guarantors collectively held approximately 81% of the assets of Vendex KBB excluding the Propcos, generated approximately 79% of the revenues of Vendex KBB excluding the Propcos and 74% of the adjusted EBITDA of Vendex KBB excluding the Propcos. See "Listing and General Information—Guarantor Information." The Guarantees may be released in certain circumstances, including the sale of Vendex KBB or its subsidiaries if certain conditions are met. See "Description of the Notes—Guarantees."

Security	The notes will be secured by a second priority pledge over the funding loan and a second priority pledge over the shares of VDXK and Vendex KBB. The security granted in favor of the notes may be released in certain circumstances, including the sale of Vendex KBB or its subsidiaries, if certain conditions are met. In the event of a merger transaction between Vendex KBB and VDXK, the security over the ownership interest in the merged entities will be released except for security over the ownership interests in the surviving entity. In addition, the Intercreditor Agreement (as defined below) restricts in certain circumstances, the right of the issuer to enforce and receive payments under the funding loan.
Ranking of the guarantees	Each Guarantee will be senior subordinated indebtedness of the relevant Guarantor. Accordingly, the Guarantees will: • rank junior in right of payment to each Guarantor's existing and future senior indebtedness (including any obligations in respect of the Senior Credit Facilities); • rank *pari passu* in right of payment with any future senior subordinated indebtedness of the Guarantors; and • rank senior in right of payment to any future subordinated indebtedness of the Guarantors. In addition, each Guarantee will effectively rank junior in right of payment to its existing and future secured obligations (to the extent of the value of the collateral securing those obligations) and the existing and future indebtedness and other liabilities (including trade payables) of its non-Guarantor subsidiaries. The terms of the Intercreditor Agreement provide that the Guarantors are not permitted to make payments in respect of their Guarantees if a payment default has occurred and is continuing under the Senior Credit Facilities or during the continuation of a payment blockage period. Enforcement actions in respect of the Guarantees are also subject to a standstill period imposed by the terms of the Intercreditor Agreement. As of August 1, 2004, after giving pro forma effect to the Refinancing, the Guarantors would have had a total of approximately €680 million of indebtedness to which the Guarantees would be contractually subordinated.
Optional redemption	*Floating Rate Notes.* We may redeem some or all of the Floating Rate Notes at any time on or after , at the redemption prices described in "Description of the Notes—Optional Redemption—Redemption—Floating Rate Notes," plus accrued and unpaid interest, if any, and additional amounts, if any.

In addition, at any time on or prior to , we may redeem up to 40% of the aggregate principal amount of the Floating Rate Notes with the proceeds of certain equity offerings at a redemption price equal to 100% of their principal amount plus a premium equal to the interest rate per annum of the Floating Rate Note applicable on the date on which the notice of redemption is given plus accrued and unpaid interest and additional amounts, if any, provided that at least 60% of the original aggregate principal amount of the Floating Rate Notes originally issued remains outstanding immediately after each such redemption.

Fixed Rate Notes.

We may redeem some or all of the Fixed Rate Notes at any time on or after , 2008, at the redemption prices described in "Description of the Notes—Optional Redemption," plus accrued and unpaid interest, if any, and additional amounts, if any.

In addition, at any time prior to , 2007, we may redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes with the proceeds of certain equity offerings at a redemption price equal to 100% of their principal amount plus a premium equal to % plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the Fixed Rate Notes remains outstanding immediately after the redemption.

At any time prior to , 2008, we may redeem all or part of the Fixed Rate Notes at a redemption price of 100% of the principal amount of the Fixed Rate Notes redeemed plus a "make whole" premium plus accrued and unpaid interest, if any, as described under "Description of the Notes—Optional Redemption."

Additional amounts; tax redemption . . . . All payments in respect of the notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we will pay additional amounts so that the net amount you receive is no less than that you would have received in the absence of such withholding or deduction. See "Description of the Notes—Withholding Taxes."

If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on any series of the notes or the Guarantees, we may redeem the notes of that series 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 the date of redemption.

Repurchase at the option of holders upon a change of control	If we experience a change of control, you will have the right to require us to purchase the notes at a purchase price equal to 101% (in the case of the Fixed Rate Notes) or 100% (in the case of the Floating Rate Notes) of their principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any. See "Description of the Notes—Repurchase at the Option of Holders—Change of Control."
Certain covenants	The Indenture will, among other things, limit our ability to: • incur or guarantee additional indebtedness; • pay dividends or make other distributions or repurchase or redeem our stock; • make investments or certain other restricted payments; • create certain liens or enter into sale and lease-back transactions; • enter into certain transactions with affiliates; • enter into agreements that restrict our restricted subsidiaries' ability to pay dividends; and • consolidate, merge or sell all or substantially all of our assets. All of these limitations will be subject to a number of important qualifications and exceptions. See "Description of the Notes—Certain Covenants."
Intercreditor Agreement	The trustee under the Indenture (the "Trustee") will enter into the Intercreditor Agreement in favor of the lenders under the Senior Credit Facilities and ABN AMRO Bank, N.V. acting as security agent on behalf of the lenders under the Senior Credit Facilities and on behalf of the holders of the notes (the "Security Agent"). Pursuant to the Intercreditor Agreement, the Trustee will agree to certain provisions that, among other things, give effect to the subordination of the Guarantees and the funding loan. See "Description of Certain Indebtedness—Intercreditor Agreement."
Transfers	The notes have not been registered under the Securities Act or any other applicable securities laws and are subject to restrictions on transferability and resale. See "Book-Entry; Delivery and Form—Transfers."

Absence of a public market for the notes	The notes are new securities and there is currently no established trading market for the notes. Accordingly, there can be no assurances as to the development or liquidity of any market for the notes. The initial purchasers have advised us that they intend to make a market in the notes. However, they are not obligated to do so, and may discontinue any market making at any time at their sole discretion and without notice.
Listing	Application has been made to list the notes on the Irish Stock Exchange.
Trustee, registrar and paying agent	The Bank of New York
Security Agent	ABN AMRO Bank N.V.
Irish listing agent	AIB/BNY Fund Management (Ireland) Limited
Irish paying agent	AIB/BNY Fund Management (Ireland) Limited
Governing law	The Indenture and the Guarantees are governed by the law of the State of New York. The pledges of the shares and the funding loan are governed by Dutch law. The Intercreditor Agreement is governed by English law.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The summary historical consolidated financial data as of the end of and for the Fiscal 2001, Fiscal 2002 and Fiscal 2003 periods have been derived from the consolidated financial statements of Vendex KBB included elsewhere in this offering memorandum. The summary historical consolidated financial data as of the end of and for the Half Year 2003 and Half Year 2004 periods have been derived from the unaudited interim consolidated financial information of Vendex KBB included elsewhere in this offering memorandum. The unaudited financial data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of results of the interim period and may not be indicative of future financial results.

Our financial reporting highlights the performance over time of those businesses that we continue to operate. Accordingly, items reported as being for "continued activities" in all fiscal periods reflect the performance only of the activities that we continue to engage in at present. As such, for all fiscal periods, "continued activities" refers to our DIY, HEMA, Apparel, Bijenkorf, V&D and Consumer Electronics business units, our Propcos and our other activities (in each case as described herein). Accordingly, in any fiscal period "discontinued activities" are those businesses which we owned during (at least part of) that period but which we no longer own.

The summary unaudited pro forma condensed consolidated financial data has been prepared in accordance with Dutch GAAP and has been derived from the historical consolidated financial information of the issuer and Vendex KBB. The unaudited pro forma condensed consolidated balance sheet data gives effect to the Refinancing, the Property Transaction, and the deconsolidation of the Propcos which are "Unrestricted Subsidiaries" under the terms of the Indenture, as if they had occurred on August 1, 2004. The unaudited pro forma condensed consolidated profit and loss account data gives effect to the Refinancing, the Acquisition, the Property Transaction and the deconsolidation of the Propcos, as if they had occurred on February 2, 2003. See "The Acquisition, the Property Transaction and Related Transactions" and "Use of Proceeds."

The Acquisition has been accounted for using the purchase method of accounting under Dutch GAAP. Under this method, assets and liabilities are recorded at their fair values on the date of purchase. The total purchase price in excess of the preliminary estimate of fair value of the assets acquired (including both tangible and identifiable intangible assets) and liabilities assumed resulted in the creation of goodwill. We have not yet completed our final assessments of the fair value of the assets and liabilities acquired and accordingly cannot assure you that our actual results will be the same or similar to those presented in the unaudited condensed consolidated balance sheet.

The pro forma adjustments are based on available information and assumptions that we believe are reasonable. The unaudited pro forma consolidated financial information is for informational purposes only, and does not purport to present what our results of operations and financial condition would have been had these transactions actually occurred, nor does it project our results of operations for any future period or our financial condition at any future date.

Our historical consolidated financial statements and our unaudited pro forma consolidated financial information are presented in euro and are prepared in accordance with Dutch GAAP, which differs in certain significant respects from IFRS. The material differences between Dutch GAAP and IFRS as they relate to us are discussed in "Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS."

You should read this summary historical financial data and unaudited pro forma condensed consolidated financial information in conjunction with "Capitalization," "Selected Historical Consolidated Financial Data," "Unaudited Pro Forma Condensed Consolidated Financial Information," "Operating and Financial Review and Prospects," "Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS" and the audited and unaudited historical and pro forma consolidated financial statements and the related notes included elsewhere in this offering memorandum.

	Vendex KBB Historical					Pro Forma Restricted Group[1] (unaudited)		
	Fiscal			Half Year (unaudited)				
	2001	2002	2003	2003	2004[2]	Fiscal 2003	Half Year 2004	LTM 2004
	(€ in millions, except for ratios, percentages and store data)							
Consolidated Profit and Loss Account Data								
Net turnover[3]:								
Continued activities	4,018	4,327	4,451	2,137	2,169	4,451	2,169	4,483
Discontinued activities	940	360	—	—	—	—	—	—
	4,958	4,687	4,451	2,137	2,169	4,451	2,169	4,483
Operating result:								
Continued activities	220	142	64	53	26	(22)	9	(23)
Discontinued activities	(119)	162	(3)	—	—	(3)	—	(3)
	101	304	61	53	26	(25)	9	(26)
Financial income and expenses[4]	(51)	(49)	(49)	(22)	(80)	(69)	(34)	(68)
Changes in value[5]	6	(16)	—	—	—	—	—	—
Result on ordinary activities before tax	56	239	12	31	(54)	(94)	(25)	(94)
Taxation	5	(35)	(4)	(11)	15	16	(3)	13
Other[6]	(48)	(2)	1	—	(1)	1	(1)	—
Net result	13	202	9	20	(40)	(77)	(29)	(81)
Consolidated Balance Sheet Data								
Cash[7]	67	42	61	35	115			198
Other current assets	949	866	918	913	969			980
Tangible fixed assets	1,135	1,088	1,129	1,152	1,122			644
Total assets	2,224	2,238	2,410	2,393	2,504			3,485
Total debt[8]	895	731	903	874	1,023			955
Group equity	396	547	516	538	476			1,451
Consolidated Cash Flow Data								
Net investment in intangible fixed assets and tangible fixed assets (continued activities)	176	173	193	99	71			
Cash flow from operations (continued activities)[9]	264	320	242	87	80			
Other Financial Data								
Operational working capital[10]	399	287	305	295	306			238
Net rental expense[11]	162	194	215	105	112	280	145	288
Depreciation from continued activities[12]	120	140	160	73	81	140	69	147
Amortization of goodwill[13]	—	7	14	6	7	56	28	57
EBITDA from continued activities[14]	340	289	238	132	114	174	106	181
EBITDA margin from continued activities[15]	8.5%	6.7%	5.3%	6.2%	5.3%	3.9%	4.9%	4.0%
EBITDAR from continued activities[14]	502	483	453	237	226	454	251	469
Adjusted EBITDA from continued activities[16]	340	327	317	132	143	253	113	267
Adjusted EBITDAR from continued activities[16]	502	521	532	237	255	533	258	555
Pro Forma Data:								
Cash interest[17]								63
Net debt[18]								810
Ratio of net debt to adjusted EBITDA from continued activities								3.0x
Ratio of adjusted EBITDA from continued activities to pro forma annual cash interest expense								4.2x

	Vendex KBB Historical					Pro Forma Restricted Group[1] (unaudited)		
	Fiscal			Half Year				
	2001	2002	2003	2003	2004	Fiscal 2003	Half Year 2004	LTM 2004
				(unaudited)				
	(€ in millions, except for ratios, percentages and store data)							
Segment Financial Data								
Net turnover from continued activities[3]:								
DIY	737	1,063	1,220	626	695	1,220	695	1,289
HEMA	924	911	918	426	430	918	430	922
Apparel	424	456	457	240	232	457	232	449
Bijenkorf	406	389	399	167	170	399	170	402
V&D	890	855	812	382	330	812	330	760
Consumer Electronics	590	615	603	279	288	603	288	612
Other	47	38	42	17	24	42	24	49
Total net turnover from continued activities	4,018	4,327	4,451	2,137	2,169	4,451	2,169	4,483
Adjusted EBITDA from continued activities[16]:								
Retail EBITDA:								
DIY	70	100	107	61	66	107	66	112
HEMA	54	58	61	19	20	61	20	62
Apparel	56	61	54	38	28	54	28	44
Bijenkorf	29	15	15	(2)	(3)	15	(3)	14
V&D	40	6	—	(16)	(5)	—	(5)	11
Consumer Electronics	21	26	25	5	8	25	8	28
Other	(2)	(11)	(9)	(6)	(1)	(9)	(1)	(4)
Total retail adjusted EBITDA from continued activities	268	255	253	99	113	253	113	267
Property EBITDA:								
Net internal rents[19]	58	61	59	30	29	—	—	—
Result on disposal of property	14	11	5	3	1	—	—	—
Total property adjusted EBITDA from continued activities	72	72	64	33	30	—	—	—
Total adjusted EBITDA from continued activities	340	327	317	132	143	253	113	267

	Vendex KBB Historical				
	Fiscal			Half Year	
	2001	2002	2003	2003	2004
Store data (unaudited)					
DIY					
Stores	204	304	315	311	321
Net sales area (m^2)	600,600	852,475	948,625	926,150	979,900
HEMA					
Stores	279	289	305	296	313
Net sales area (m^2)	286,950	294,050	301,425	298,325	305,800
Apparel					
Stores	640	668	721	693	735
Net sales area (m^2)	108,950	112,650	120,700	116,350	122,725
Bijenkorf					
Stores	10	11	13	11	13
Net sales area (m^2)	93,650	99,675	107,725	99,675	110,225
V&D					
Stores	69	70	72	70	60
Stand-alone restaurants	16	16	15	15	16
Net sales area (m^2)	351,275	354,300	355,600	351,650	328,100
Consumer Electronics					
Stores	308	304	314	307	317
Net sales area (m^2)	113,375	112,700	110,750	113,275	111,650

(1) Restricted Group excludes the Propcos. The Propcos are "Unrestricted Subsidiaries" under the terms of the Indenture and are not subject to the restrictive covenants of the Indenture.

(2) See "Operating and Financial Review and Prospects—Recent Developments" for a discussion of certain key accounting consequences relating to the possible sale of IMpact.

(3) In accordance with guidelines published in November 2002 by the Dutch Council for Annual Reporting, we have changed our revenue recognition policies to align with IFRS. The change has been reflected for all periods beginning after February 3, 2002 and accordingly our Fiscal 2001 is not presented on a comparable basis.

(4) Financial income and expenses includes one-time costs of €49 million in Half Year 2004, which relates to the repayment of financial indebtedness as a result of the Acquisition.

(5) Represents changes in value of, and income from, receivables forming part of fixed assets, and in the value of, and income from, securities.

(6) Other represents extraordinary expenses after tax of €48 million for Fiscal 2001 and represents results from participating interests for all other periods.

(7) We anticipate using €53 million of our cash to purchase the remaining shares of Vendex KBB and to pay outstanding fees associated with the Acquisition. This would result in remaining available cash of €145 million as of August 1, 2004.

(8) Represents third-party interest-bearing indebtedness.

(9) Cash flow from operations (continued activities) represents operating result from continued activities plus depreciation and amortization, plus or minus movements in inventories, debtors, short-term liabilities, operating provisions and other movements. For the avoidance of doubt this amount has not been reduced by consolidated interest expense and taxation on continued activities because such amounts cannot be allocated between continued and discontinued activities.

(10) Operational working capital is calculated as inventories plus debtors less short-term liabilities.

(11) Net rental expense represents aggregate rental expense paid to third-parties less rental income received from third-parties, pro forma periods include rental expense payable to the Propcos.

(12) Depreciation expense is primarily reflected in selling and distribution costs in the consolidated financial statements elsewhere in this offering memorandum.

(13) Amortization expense is reflected in general and administrative expenses in the consolidated financial statements included elsewhere in this offering memorandum.

(14) EBITDA from continued activities represents operating result before discontinued activities, depreciation and amortization. EBITDAR from continued activities represents EBITDA from continued activities before net rental expense. These measures are presented because we believe that they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. However, other companies in our industry may calculate them differently than we do. EBITDA from continued activities and EBITDAR from continued activities are not measurements of financial performance under generally accepted accounting principles and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with Dutch GAAP. The following table presents the calculation of these measures:

	Vendex KBB Historical					Pro Forma Restricted Group		
	Fiscal			Half Year		Fiscal	Half Year	
	2001	2002	2003	2003	2004	2003	2004	LTM
Operating result	101	304	61	53	26	(25)	9	(26)
Adjusted for:								
Discontinued activities	119	(162)	3	—	—	3	—	3
Depreciation	120	140	160	73	81	140	69	147
Amortization	—	7	14	6	7	56	28	57
EBITDA from continued activities	340	289	238	132	114	174	106	181
Net rental expense	162	194	215	105	112	280	145	288
EBITDAR from continued activities	502	483	453	237	226	454	251	469

(15) EBITDA margin from continued activities represents EBITDA from continued activities divided by net turnover from continued activities, expressed as a percentage.

(16) We calculate adjusted EBITDA from continued activities as EBITDA from continued activities after applying the adjustments set out below:

	Vendex KBB Historical					Pro Forma Restricted Group		
	Fiscal			Half Year		Fiscal	Half Year	
	2001	2002	2003	2003	2004	2003	2004	LTM
EBITDA from continued activities	340	289	238	132	114	174	106	181
Adjustments:								
Exceptional costs associated with V&D[(a)]	—	30	74	—	—	74	—	74
Restructuring provisions[(b)]	—	—	—	—	5	—	5	5
Costs of the Acquisition[(c)]	—	—	—	—	22	—	—	—
Exceptional costs in connection with the sale of the operations[(d)]	—	8	—	—	—	—	—	—
Other[(e)]	—	—	5	—	2	5	2	7
Adjusted EBITDA from continued activities	340	327	317	132	143	253	113	267
Net rental expense	162	194	215	105	112	280	145	288
Adjusted EBITDAR from continued activities	502	521	532	237	255	533	258	555

(a) Represents costs recorded in connection with the restructuring of V&D. In Fiscal 2002 the charge amounted to €48 million, offset by a withdrawal of provisions relating to exceptional V&D inventory reduction of €18 million. In Fiscal 2003 the charge amounted €80 million, offset by a release of provisions of €6 million.

(b) Represents restructuring provisions recorded in connection with restructuring at M&S of €2 million and Bijenkorf of €3 million.

(c) Represents direct costs primarily associated with the Acquisition.

(d) Represents the loss on the sale of the Sittard IT facility, offset by a gain related to the termination of a contract for the distribution of mobile telephones (Consumer Electronics).

(e) Represents for Fiscal 2003 primarily a charge recorded of €6 million due to the early termination of a pension contract offset by €1 million of other gains. The charges are included in Other in our segmental financial data.

For a further description of certain of the adjustments set forth above, see "Operating and Financial Review and Prospects."

(17) Cash interest expense represents interest expense excluding amortization of debt issuance costs of €5 million.

(18) Net debt represents gross third-party interest-bearing indebtedness less cash, as adjusted to reflect the payment of additional Acquisition costs.

(19) Represents rental payments to the Propcos from the operating companies, less operating costs and charges.

RISK FACTORS

An investment in the notes involves risks. In addition to the other information contained in this offering memorandum, you should carefully consider the following risk factors before purchasing the notes. Additional risks and uncertainties of which we are not aware or which we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition, liquidity or results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the notes when due and you could lose all or part of your investment.

Risks Relating to Us and Our Business

Our high leverage and debt service obligations could adversely affect our business, financial condition or results of operations.

We are highly leveraged and have significant debt service obligations. The degree to which we will be leveraged could have important consequences to you, including, but not limited to:

- increasing our vulnerability to a downturn in our business or in general economic conditions;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, other business expansion opportunities and other corporate requirements;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, leaving this cash flow unavailable to fund operations, capital expenditures or other corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry; and
- making it more difficult for us to satisfy our debt obligations.

Any of these factors could adversely affect our business, financial condition or results of operations as well as our ability to service our debt obligations, including the notes.

We may incur substantial additional indebtedness in the future which could be senior to the notes or the Guarantees or which could mature prior to the notes. The terms of the Senior Credit Facilities, the Indenture and certain of our other senior indebtedness restrict us from incurring additional indebtedness, but do not prohibit us from doing so. The incurrence of additional indebtedness would increase the leverage-related risks described in this offering memorandum.

We are subject to certain restrictive debt covenants, which limit our operating flexibility.

Our Senior Credit Facilities, Mortgage Loan and Indenture contain covenants which impose significant restrictions on the way we can operate, including restrictions on our ability to:

- incur additional indebtedness or guarantee indebtedness of others;
- make acquisitions or investments or enter into joint ventures;
- dispose of assets;
- consolidate or merge with or into other companies; or
- create certain liens or enter into sale and leaseback transactions.

These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities, or make changes to our business operations that may be in your interest.

We are significantly affected by general economic conditions in the Netherlands and across Europe.

We generated 82% of our turnover in the Netherlands in Fiscal 2003. Our results are therefore primarily impacted by the prevailing economic climate, levels of employment, salaries, wage rates, the availability of consumer credit, consumer confidence, and consumer perceptions of economic conditions in the Netherlands. According to the Dutch Central Bureau of Statistics, Dutch consumer confidence, in spite of a recent improvement, still remains at a low level. Despite a recent but moderate increase in the GDP growth rate of the Netherlands, a continuous rise in unemployment over the last three years and the uncertain economic outlook have adversely affected consumer spending habits. In Half Year 2004, retail sales in the Netherlands declined across almost all product categories. This had a negative impact on, and may continue to have a negative impact on, our turnover. Moreover, many of the items that we sell represent discretionary purchases, particularly in our Bijenkorf business unit, which means that we may experience a decline in sales that is proportionally greater than the level of general economic decline. We also operate in other European countries, where we generated 18% of our turnover in Fiscal 2003, and as a result we are also impacted by the economic conditions in these countries. Therefore, an economic downturn or continued weakness in consumer spending in the Netherlands and across the rest of Europe could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We operate in competitive markets.

All of our business units operate in competitive markets. We compete with a wide variety of retailers of varying sizes and covering different product categories. Some of our competitors are general retailers that compete with us in a number of product groups, while others are specialist retailers that compete with us only in single product categories.

Actions taken by our competitors, as well as actions taken by us to maintain our competitiveness and reputation, have placed and will continue to place pressure on our merchandise pricing, margins and profitability. Some of our competitors may have greater financial resources, greater purchasing economies of scale and lower cost bases than us, any of which may give them a competitive advantage over us. These factors have had in the past, and could have in the future, a material adverse effect on our business, financial condition, results of operations and cash flows.

We believe that the non-food retail market is relatively more stable in the Netherlands than in many other countries, partly due to regulatory restrictions on out-of-town building developments. Any change in such zoning regulations could therefore favor, to a certain extent, new market entrants and therefore have a material adverse effect on our operations.

We may be unable to implement our business strategy.

Our future financial performance and success largely depend on our ability to implement our business strategy successfully. We cannot assure you that we will successfully implement our business strategy as described in this offering memorandum or those to be developed in the future or that implementing this business strategy will sustain or improve and not harm our results of operations. In particular, we may not be able to achieve cost savings or working capital improvements, apply best practices across business units, achieve greater standardization and consistency in our IT systems or secure quality store locations at reasonable rates. In addition, the success of our selective expansion strategy will depend upon our ability to open and operate new stores on a timely and cost-effective basis while continuing to increase sales at our existing stores. There can be no assurance that the opening of new stores will not result in the diversion of sales from our existing stores in certain cases, thereby reducing existing store sales and resulting in lower operating profit. Any failure to develop, revise or implement our business strategy in a timely and effective manner could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our V&D business unit has been experiencing significant losses and may continue to be unprofitable.

V&D, one of our department store business units, reported operating losses of €39 million (before restructuring costs of €80 million) in Fiscal 2003 and €24 million in Half Year 2004. In Fiscal 2003, we designed a comprehensive restructuring plan for V&D that is currently being implemented. See "Summary—Our Strategy—Continue to Implement the V&D Restructuring Plan." While a significant portion of the cash outflows relating to the restructuring plan have occurred in Fiscal 2003 and Half Year 2004, we expect to incur additional cash outflows over the coming years as part of the continuous implementation of the measures under the V&D restructuring plan, and for which provisions have been made. See "Operating and Financial Review and Prospects—Liquidity and Capital Resources." In addition, we cannot assure you that the operating profits of V&D will improve or that we will be successful in re-establishing historic levels of profitability. If the operating profits of V&D fail to improve, our financial condition and results of operations could be materially adversely affected.

We may not be able to predict or fulfil customer preferences or demand accurately.

The demand for a significant portion of the products we sell is subject to rapidly changing customer tastes. The availability of new products and changes in customer preferences have made it more difficult to predict or fulfil sales demand accurately. Our success depends in part on our ability to effectively predict and respond to quickly changing consumer demands and preferences, and to translate market trends into appropriate, saleable merchandise offerings. Many of our suppliers are located in the Far East, Eastern Europe and the Middle East. The long lead times between ordering and delivery make it more important to predict, and more difficult to fulfil, the demand for items accurately. We cannot assure you that our orders will match actual demand. If we are unable to successfully predict or respond to changing styles or trends or if we misjudge the market, our sales will be lower and we may be faced with a substantial amount of unsold merchandise or missed sales opportunities. In response, we may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business could suffer as a result of weak sales during peak selling seasons.

Our business is subject to seasonal peaks. Historically, our most important trading period in terms of turnover, operating results and cash flow has been the Christmas season, with approximately 19% of our sales occurring from the second half of November to the end of December. We incur significant additional expenses in advance of the Christmas season in anticipation of higher sales during that period, including for acquiring additional inventory, advertising, and hiring additional employees. Past turnover trends indicate that, in addition to the Christmas season, peaks in turnover occur during April and September as a result of promotional events and seasonal sales, and in the spring and summer for our DIY business unit. If for any reason turnover during our peak seasons, particularly the Christmas season, is significantly lower than expected, we may be unable to adjust our expenses in a timely fashion and may be left with a substantial amount of unsold inventory, especially in seasonal merchandise that is difficult to clear. In that event, we may be forced to rely on markdowns or promotional sales to dispose of excess inventory, which could have a material adverse effect on our business, financial condition and results of operations.

Our business can be adversely affected by severe or unseasonal weather conditions.

Our results are affected by periods of abnormal, severe or unseasonal weather conditions. Periods of warm or cold weather could also render a portion of our inventory incompatible with such unseasonal conditions. Adverse weather conditions early in the season could have a double impact on our profitability, leading to a slowdown in sales at full margin followed by more extensive markdowns at the end of the season. Prolonged unseasonal weather conditions or temporary severe weather during one of our peak trading seasons, such as the Christmas season, could adversely affect our turnover and, in turn, our results of operations and cash flows. In addition, heavy snowfall or other extreme weather conditions, such as floods, may make it difficult for our employees and customers to travel to our stores.

Our properties are subject to risks that could have a material adverse effect on our operations.

Operations at our retail facilities and distribution centers are subject to a variety of risks, including: natural disasters; terrorism and acts of violence; damage to the buildings; failure to comply with applicable regulations, including zoning and environmental regulations, and to maintain necessary permits and approvals; equipment failure; and work stoppages. In particular, three of our main retail facilities are located close to the envisaged track of a new metro line in Amsterdam. While the municipality of Amsterdam has provided assurances that the construction of the new metro line will not disrupt our operations and we are negotiating an indemnification agreement with the municipality of Amsterdam to compensate us in the event any such disruptions do occur, we cannot assure you that the construction of the new metro line will not result in a reduced accessibility and limitations to the use of the affected retail facilities. In addition, any major breakdown of plant or equipment, or IT systems, or accident such as serious fire or flood, at any of our distribution centers may significantly impact our ability to distribute products to our stores and maintain an adequate supply chain. Any significant interruption in operations resulting from such events or other events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to recruit or retain key management and personnel.

Our success depends in part on the continued service of key members of our management team and on our ability to continue to attract, motivate and retain highly qualified employees. The successful implementation of our strategy depends on the availability of skilled management, both at our head offices and at each of our business units. If we or one of our business units lose one or more key senior executives and fail to replace them in a satisfactory manner, our business, financial condition, results of operations and cash flows may be adversely affected.

We depend on suppliers located outside the European Union for a significant portion of our products.

We purchase a significant portion of our products in markets outside of the European Union, principally in the Far East and Middle East. We face a variety of risks generally associated with doing business in foreign markets and importing merchandise from these regions, including, among others, political instability; increased security requirements applicable to foreign goods; imposition of duties and taxes, other charges and restrictions on imports; currency and exchange rate risks; risks related to labor practices, environmental matters or other issues in the foreign countries or factories in which our merchandise is manufactured; delays in shipping; and increased costs of transportation. Any of these risks, in isolation or in combination, could adversely affect our reputation, financial condition and results of operations. We cannot predict the effects of exchange rate fluctuations on our future operating results because of the number of currencies involved, the variability of our foreign currency exposure and the potential volatility of currency exchange rates. New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions that, if enacted, could increase the cost of products purchased from suppliers in such countries or restrict the importation of products from such countries. The future performance of our business will partly depend on our foreign suppliers and may be adversely affected by the factors listed above, all of which are beyond our control.

Shop crime and fraud in our stores may adversely affect us.

We seek to prevent shop crime and fraud in our stores. Accordingly, in recent years we have invested in excess of €40 million annually in training, security techniques, preventive measures and equipment, including through co-operative ventures with other retailers. Despite these efforts, shop crime and fraud have continued to rise, and new methods of committing fraud continue to be developed. There can be no assurance that continued or expanded efforts to counteract this trend will be effective or that the cost of such efforts will not increase. The failure to control and reduce shop crime and fraud in a cost-effective manner could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We depend heavily on our information technology systems to operate our business.

Our business activities rely to a significant degree on the efficient and uninterrupted operation of our various computer and communications systems and those of third parties. Any significant breakdown of plant or equipment, accidents, such as a serious flood or fire, or other significant disruption to the operations of our primary sites for all of our computer and communications systems could significantly affect our ability to manage our information technology systems, which in turn could adversely affect our business, financial condition and results of operations.

In addition, we plan to implement major changes to the information technology systems at several of our business units. We expect that our information technology systems will require continuous enhancements and ongoing investments as we integrate and continue to improve them to manage our inventory. Our inability to integrate and upgrade these systems in a timely and cost effective manner or the failure of these systems to adequately address our needs could have a material adverse effect on our business, financial condition and results of operations.

Any negative impact to our coverage funding ratio or adverse change in the accounting standards applicable to our pension funds could have an adverse effect on us.

The coverage funding ratios of pension plans throughout the Netherlands, including Vendex KBB's, have been adversely affected by recently volatile and declining equity markets. Vendex KBB's main pension fund, *Stichting Pensioenfonds Vendex KBB*, had a coverage funding ratio of 103% of its pension obligations as of February 1, 2004. Pursuant to a recovery plan, approved by the Dutch pension regulator (*Pensioen & Verzekeringskamer*), Vendex KBB is required to raise this coverage funding ratio to 126% by 2014. To achieve this goal, in January 2002, Vendex KBB increased its total cash contributions from 12.6% in 2001 to 15.0% in 2002 and to 17.6% in 2003 of the total wages for the main pension plan (after applying a non pensionable salary amount currently set at €16,543 per employee) and from 3% to 4% in 2003 of the total wages for the early retirement pension plan. In addition, as of January 1, 2004, Vendex KBB raised the early retirement age from 62 to 63. If despite these additional contributions the pension fund's funding levels fail to improve, Vendex KBB may have to negotiate additional changes to its pension plan with the trade unions and may need to obtain further approvals from the Dutch pension regulator. Possible changes thereto could include a one-time cash injection into the fund, an increase in Vendex KBB's ongoing cash contributions, an increase in the employees' cash contributions, a suspension or reduction of future indexation or, in extreme cases, a reduction of benefits. If Vendex KBB were required to increase its cash contribution into the pension scheme, either as a one-time injection or on an ongoing basis, such payments could negatively impact our ability to conduct our operations and service our debt obligations, including the notes.

Any negative impact on the reputation of and value associated with our brand names could adversely affect our business.

Our brand names represent an important asset of our business. Maintaining the reputation of, and value associated with, our brand names is central to the success of our business, but there can be no assurance that our business strategy and its execution will accomplish this objective. In addition, our franchised stores make us dependent on third-party franchisees to operate their businesses effectively, on ethical and commercially reasonable terms, and in a manner that does not negatively impact our reputation. Substantial erosion in the reputation of, or value associated with, our brand names could have a material adverse effect on our business, financial condition and results of operations.

The interests of our principal shareholders may be inconsistent with the interests of the holders of the notes.

The members of the Consortium may have an interest in pursuing acquisitions, divestitures, additional financing or other transactions that, in their judgment, could enhance the value of their equity investments, although such transactions might involve risks to you as a holder of notes. In addition, members of the Consortium or their affiliates may, currently or in the future, own businesses that directly compete with ours.

Risks Relating to the Notes and the Guarantees

We require a significant amount of cash to service our debt and for other general corporate purposes. Our ability to generate sufficient cash depends on many factors beyond our control.

Our ability to make payments on our debt, and to fund working capital and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed in these "Risk Factors" and elsewhere in this offering memorandum.

Our business may not generate sufficient cash flows from operations, and additional debt and equity financing may not 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. For a discussion of our cash flows and liquidity, see "Operating and Financial Review and Prospects."

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:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the notes, on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our debt, including the notes, and any future debt that we may incur, may limit our ability to pursue any of these alternatives.

The issuer is a holding company and is dependent on payments from its subsidiaries in order to be able to make payments on the notes.

The issuer is a holding company that conducts substantially all of its operations through holding companies and their operating subsidiaries. Other than the funding loan and the equity of VDXK, the issuer does not have any significant assets and does not, and will not, conduct any revenue-generating operations. The issuer will therefore be dependent upon the cash flow from its subsidiaries and the receipt of funds from them in the form of dividends, other distributions, intercompany loans or payments under the funding loan.

In addition, even if our subsidiaries generate sufficient cash from their operations, their ability to provide funds to Vendex KBB and the issuer is subject to, among other things, local tax restrictions, restrictions contained in the Senior Credit Facilities and future loan agreements, and local corporate law restrictions related to earnings, level of legal or statutory reserves, losses from previous years and capitalization of our subsidiaries.

Although the Indenture limits the ability of our restricted subsidiaries to enter into consensual restrictions on their ability to pay dividends and make payments, there are significant qualifications and exceptions to these limitations.

The issuer may not be able to recover any amounts under the funding loan because the issuer's right to receive payments under the funding loan are contractually subordinated to other liabilities of Vendex KBB.

The obligations of Vendex KBB under the funding loan are contractually subordinated to all obligations under the Senior Credit Facilities pursuant to the Intercreditor Agreement. The ability of the issuer to take enforcement action against Vendex KBB under the funding loan is subject to significant restrictions imposed by the Intercreditor Agreement. The funding loan will also be subject to a first priority pledge in favor of the lenders under the Senior Credit Facilities, and in order to facilitate a sale of the surviving entity by the Senior Security Agent on behalf of the lenders under the Senior Credit Facilities, all of the issuer's rights in the funding loan may be disposed of (subject to certain conditions), with the amounts realized being applied first to satisfy the obligations owing under the Senior Credit Facilities.

As a result of the foregoing:

- in the event of a bankruptcy, moratorium, winding-up or similar proceeding involving Vendex KBB, including the appointment of an insolvency administrator or receiver or similar officer, (i) the lenders under the Senior Credit Facilities will be entitled to payment in full of all obligations owing under the Senior Credit Facilities before the issuer would be entitled to payments under the funding loan, and, as a result, before you would ultimately receive any payments on the notes, (ii) the issuer will be required to turn over any amounts it receives under the funding loan to the Senior Security Agent until all obligations owing under the Senior Credit Facilities are paid in full, and (iii) the person responsible for the distribution of the assets of Vendex KBB or any of its subsidiaries will be required to pay any amounts payable to the issuer in respect of the funding loan to the Senior Security Agent until all amounts outstanding under the Senior Credit Facilities are paid in full;
- the Guarantors may not make payments with respect to the Guarantees and Vendex KBB may not make payments with respect to the funding loan, in each case, in the event that any payment has not been made when due in respect of the Senior Credit Facilities or a notice is served declaring the Senior Facilities due and payable or payable on demand as a result of a payment default with respect to the Senior Credit Facilities, and this prohibition will continue until there is no outstanding payment default with respect to the Senior Credit Facilities or if the requisite lenders under the Senior Credit Facilities consent to such payments;
- the lenders under the Senior Credit Facilities may prevent Vendex KBB from making payments under the funding loan and the Guarantors from making payments with respect to the Guarantees for a period of up to 179 days (or, if a standstill period has commenced during such 179-day period, for a period extending to the end of the standstill period) in the event that there exists an event of default, other than a payment default, under the Senior Credit Facilities;

- the issuer has agreed to a 179-day standstill period on enforcement actions it could otherwise take under the funding loan if there is an event of default under the notes; and
- in the event that the lenders under the Senior Credit Facilities obtain and enforce a first priority security interest with respect to the funding loan, the issuer's rights under the funding loan may be assigned from the issuer to a third party, and the issuer would have no right, title or interest under the funding loan or claims against Vendex KBB under the funding loan.

The notes and the funding loan may be subjected to similar restrictions in the future in favor of future unsubordinated indebtedness of Vendex KBB or any of its subsidiaries.

Not all of our subsidiaries will guarantee the notes, and any claim by the issuer or any of its creditors, including the holders of the notes, against such non-guarantor subsidiaries will be structurally subordinated to all of the claims of creditors of those non-guarantor subsidiaries.

Not all of our existing and future subsidiaries will guarantee the notes. As of August 1, 2004, after giving pro forma effect to the Refinancing and the Property Transaction, on a consolidated basis the issuer had total assets of €4,259 million and total liabilities, excluding shareholder's equity, of €2,808 million. As of August 1, 2004 and for the Last 12 Months ended August 1, 2004, the subsidiaries of Vendex KBB that are Guarantors collectively held approximately 81% of the assets of Vendex KBB excluding the Propcos, generated approximately 79% of the revenues of Vendex KBB excluding the Propcos and 74% of the adjusted EBITDA of Vendex KBB excluding the Propcos. The Indenture does not limit the transfer of assets to, or the making of investments in, any of our restricted subsidiaries, including our non-guarantor subsidiaries. See "Description of the Notes—Certain Covenants." Accordingly, non-guarantor subsidiaries could account for a higher portion of our assets, liabilities, net sales and net income in the future.

In the event that one of our non-guarantor subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, its assets will be used first to satisfy the claims of its creditors, including its trade creditors, banks and other lenders. Consequently, any claim by the issuer or its creditors, including holders of the notes, against a non-guarantor subsidiary will be structurally subordinated to all of the claims of the creditors of such non-guarantor subsidiary.

Enforcement of the Guarantees may be subject to certain limitations and will require satisfaction of certain conditions.

Under Dutch law, enforcement of the Guarantees may, in whole or in part, be limited to the extent that the undertakings of each Guarantor under its Guarantee are deemed to be in conflict with its objects (*ultra vires*). The issuing of such Guarantee may conflict with such Guarantor's objects if (i) the text of the objects clause in its articles of association (*statuten*) does not include a reference to the issuance of guarantees to secure the obligations of affiliated companies and (ii) such Guarantor does not, irrespective of the wording of the objects clause, derive certain direct or indirect commercial benefit from the offering in respect of which such Guarantee is issued.

In addition, the ability to take enforcement action against the Guarantors under the Guarantees is subject to significant restrictions imposed by the Intercreditor Agreement and the terms of such Guarantees. As a result:

- in the event a bankruptcy, moratorium, winding up or similar proceeding involving a Guarantor, including the appointment of an insolvency administrator or receiver or similar officer, (i) the lenders under the Senior Credit Facilities will be entitled to payment in full of all obligations owing under the Senior Credit Facilities before the Trustee and the holders of the notes would be entitled to payments under the Guarantee, (ii) the Trustee, subject to certain exceptions, and the holders of the notes will be required to turn over any amounts they receive under the

Guarantee to the Senior Security Agent until all obligations owing under the Senior Credit Facilities are paid in full, and (iii) the person responsible for the distribution of the distributing assets of a Guarantor will be required to pay any amounts payable to the Trustee and the holders of the notes under the Guarantee to the Senior Security Agent until all obligations owing under the Senior Credit Facilities are paid in full;

- the Guarantors may not make payments under the Guarantees in the event of a payment default under the Senior Credit Facilities and this prohibition will continue until there is no outstanding payment default under the Senior Credit Agreement, if the requisite lenders under the Senior Credit Facilities consent to such payments or if the obligations under the Senior Credit Facilities have been repaid in full and all commitments thereunder cancelled;
- the lenders under the Senior Credit Facilities may prevent the Guarantors from making payments to the Trustee and the holders of the notes under the Guarantees for a period of up to 179 days (or, if a standstill period has commenced during such 179-day period, for a period extending until the end of the standstill period) in the event that there exists an event of default, other than a payment default, under the Senior Credit Facilities; and
- the Trustee has agreed to a 179-day standstill period on enforcement actions it could otherwise take against the Guarantors in respect of the Guarantees for an event of default under the notes.

In addition, the Guarantees may be subject to similar restrictions in the future in favor of future unsubordinated indebtedness of the issuer or any of its subsidiaries.

The Guarantees are also subject to release under certain circumstances, including but not limited to the sale of any Guarantor pursuant to an enforcement of security over the shares of any such Guarantor or a holding company of that Guarantor, provided that certain requirements with respect to such enforcement are satisfied. See “Description of Certain Indebtedness—Intercreditor Agreement.”

As a result of these and other provisions in the Guarantees and the Intercreditor Agreement, you may not be able to recover any amounts from the Guarantors under the Guarantees in the event of a default on the notes and certain of the Guarantees may be released without any recovery being available.

Dutch insolvency laws to which we are subject may not be as favorable to you as United States or other insolvency laws.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the “EU Insolvency Regulation”), the court which shall have jurisdiction to open insolvency proceedings in relation to the issuer or any Guarantor will be the court of the Member State (other than Denmark) where the company concerned has its “center of main interests” (as that term is used in Article 3(1) of such EU Insolvency Regulation). The determination of where any such issuer or any Guarantor has its “center of main interests” is a question of fact on which the courts of the different EU Member States may have differing and even conflicting views. It should also be noted that no final decisions have been taken in cases that have been brought before the European Court of Justice in relation to questions of interpretation or the effects of the EU Insolvency Regulation throughout the European Union. Furthermore, “center of main interests” is not a static concept and may change from time to time. Although under Article 3(1) of the EU Insolvency Regulation there is a rebuttable presumption that any such issuer or any Guarantor has its “center of main interests” in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the “center of main interests” of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and “is therefore ascertainable by third parties”. In that respect factors such as the place for the holding of board meetings, the place where the issuer or any Guarantor conducts the majority of its business and the place where the large majority of the issuer's or any Guarantor's creditors are established may all be relevant in the determination of the place where the issuer or any Guarantor has its "center of main interests."

If the center of main interests of any such issuer or any Guarantor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the issuer or any Guarantor under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognised in other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "center of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) may open "territorial proceedings" in the event that such debtor has an "establishment" in the territory of such other Member State. If the issuer or Guarantor does not have an establishment in any other Member State, no court of any other Member State shall have the ability to open territorial proceedings in respect of such issuer or Guarantor under the EU Insolvency Regulation.

The issuer and all of the Guarantors are incorporated under the laws of the Netherlands and have their centers of main interest outside the United States. Therefore, any insolvency proceedings in relation to the issuer and/or the Guarantors would likely be based on Dutch insolvency law. Dutch insolvency law differs significantly from insolvency proceedings in the United States and may make it more difficult for holders of notes to recover the amount they would normally expect to recover in a liquidation or bankruptcy proceeding in the United States.

There are two primary insolvency regimes under Dutch law: the first, moratorium of payments (*surséance 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 and distribute the proceeds of the assets of a debtor to its creditors. Such liquidation should also take place by way of a going concern sale. Both insolvency regimes are set forth in the Dutch Bankruptcy Act.

An application for a moratorium of payments can only be made by the debtor itself. Upon commencement of moratorium of payments proceedings, the court will grant a provisional moratorium. Unless a draft composition (*akkoord*) is filed simultaneously with the application for moratorium of payments, a meeting of creditors is required to decide on the definitive moratorium. The definitive moratorium will generally be granted unless a qualified minority (one-quarter in amount of claims held by creditors represented at the creditors' meeting or one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. In both cases, the moratorium of payments is only effective with regard to unsecured non-preferential creditors. Unlike Chapter 11 proceedings (under US 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 issuer and/or the Guarantors to satisfy their claims as if there were no moratorium of payments. However, the court may order a "cooling down period" for a maximum period of two months during which enforcement actions by secured creditors are barred. The maximum period of such a "cooling down period" is likely to become four months by the end of 2004 or the beginning of 2005, when Bill 27 444 would enter into force. In a moratorium of payments, a composition (*akkoord*) may be offered to creditors. Such a composition will be binding on all unsecured and non-preferred creditors if it is approved by a qualified majority of (i) two-thirds in number of the creditors represented at the creditors' meeting, representing 75% in amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency laws could reduce the recovery of a holder of notes in a Dutch moratorium of payments proceedings. Interest payments that fall due after the date on which a moratorium of payments is granted cannot be claimed in a composition.

Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on the basis of the relative claims of those creditors. Certain creditors (such as secured creditors and tax and social security authorities) will have special rights that may adversely affect the interests of holders of notes. For example, secured creditors may enforce their rights against assets of the issuer and/or the Guarantors to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. Consequently, Dutch insolvency laws could reduce your potential recovery in a Dutch bankruptcy proceeding. As in moratorium of payments proceedings, the court may order a "cooling down period" for a maximum of two months (or four months in the near future) during which enforcement actions by secured creditors are barred. 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 holders of notes which were not due and payable by their terms on the date of a bankruptcy of the issuer and/or the Guarantors, will be accelerated and become due and payable as of that date. Each of these claims will have to be submitted to the receiver of the issuer and the Guarantors 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 proceeding. 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. Generally, in a creditors' meeting (*verificatie-vergadering*), the 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 a separate court proceeding (*renvooi procedure*). These renvooi procedures could cause holders of notes to recover less than the principal amount of their notes or less than they could recover in a US liquidation. Such renvooi procedures could also cause payments to the holders of notes to be delayed compared with holders of undisputed claims. Further, in a bankruptcy a composition may be offered to creditors, which may be binding on creditors in the same manner as set forth above in relation to a moratorium. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. A contractual subordination of the Guarantees in respect of certain other indebtedness of the issuer and/or the Guarantors will be given effect, as much as possible under Dutch law, in accordance with such contract terms.

A receiver in bankruptcy can force the 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 bankruptcy costs. Excess proceeds of enforcement must be returned to the issuer in its insolvency; they may not be set-off against an unsecured claim of the secured creditor on the issuer. Such set-off is allowed prior to the issuer's insolvency.

Simultaneously with the opening of the issuer's bankruptcy, a Dutch receiver or administrator will be appointed. Such appointment will have an overriding effect on the appointment of a receiver as set out in the relevant security documents. The appointment of such receiver cannot prevent the issuer from being declared bankrupt in the Netherlands. Any future rights or assets acquired by the issuer after it has been declared bankrupt or after it has been granted a moratorium of payments will not be subject to the security interests created by the relevant security documents.

We may not be able to finance the change of control offer required by the Indenture.

Upon a change of control, as defined under the Indenture, we will be required to offer to repurchase all outstanding notes at a purchase price equal to 101% (in the case of the Fixed Rate Notes) or 100% (in the case of the Floating Rate Notes) of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at the time to pay the purchase price of the outstanding notes or that the restrictions in the agreements governing our Senior Credit Facilities would allow us to make such required repurchases. A change of control may result in an event of default under our Senior Credit Facilities and may cause the acceleration of other indebtedness which may be senior to the notes or rank equally with the notes. In any case, we expect that we would require third-party financing to make a change of control offer. We cannot assure you that we would be able to obtain this financing. See "Description of the Notes."

We have not included US GAAP or IFRS financial information, and we are not required by the Indenture to supply separate financial data with respect to the Guarantors in the future.

We prepare our financial statements in accordance with Dutch GAAP, which differs in certain significant respects from IFRS and US GAAP. We have not presented a reconciliation of our financial statements to IFRS or US GAAP in this offering memorandum. Moreover, we do not intend to, and the Indenture will not require us to, reconcile future financial statements to IFRS or US GAAP. Because there are significant differences between Dutch GAAP, IFRS and US GAAP, there may be substantial differences in our results of operations and financial position, including debt levels, if we were to prepare our financial statements in IFRS or US GAAP instead of Dutch GAAP. In particular, our operating income and EBITDA could be materially different under IFRS and US GAAP. See "Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS." The financial terms in covenants under the Indenture will be based on Dutch GAAP as applied by Vendex KBB on February 1, 2004 for the notes (unless Vendex KBB elects to use IFRS or US GAAP in the future), and accordingly there may be a difference between our reported results in the future and certain covenant calculations under the Indenture.

We are presently considering whether to adopt IFRS but have made no final decision. If in the future we elect to adopt IFRS or US GAAP, then the Indenture will permit us to report according to such standards, and the covenant calculations will be based on the relevant standards as in effect on the date of our election. There could be significant differences between our reported results under our adopted standards and our results under Dutch GAAP, and between such reported results and the results upon which the covenant calculations will be based. We will not be required to reconcile these differences. In addition, our covenants may become more or less restrictive from time to time, depending upon the effect of the standards that we adopt. This could result in our being able to take actions which might be to your detriment—such as incurring greater debt than would otherwise have been possible—or not take actions that would otherwise be to your benefit—such as making profitable investments or acquisitions.

We have not presented separate financial statements or summary financial data for the Guarantors and we are not required by the Indenture to do so in the future.

You may be unable to enforce judgments against us or our directors and officers.

We are incorporated under the laws of the Netherlands, a majority of our assets are outside the United States and our directors and officers live outside the United States. Our auditors are also organized outside the United States. As a result, it may be difficult to serve process against any of these persons in the United States. Additionally, there is doubt as to the enforceability in the Netherlands of civil liabilities based on the civil liability provisions of the securities laws of the United States. See "Enforcement of Certain Civil Liabilities."

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

The notes have not been and will not be registered under the Securities Act or any United States securities laws and we have not undertaken to effect any exchange offer for the notes in the future. You may not offer the notes for sale in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The notes and the Indenture will contain provisions that will restrict the notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the Securities Act. Furthermore, we have not registered the notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the notes within the United States and other countries comply with applicable securities laws. See "Notice to Investors."

You may not be able to sell your notes.

The notes are new securities for which there is no established market. We cannot assure you as to:

- the liquidity of any market that may develop for the notes;
- your ability to sell your notes; or
- the prices at which you will 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. Additionally, under IFRS the Dutch Hybrid Instruments would be likely to be classified as debt. The trading prices of the notes may be affected if we begin reporting under IFRS, or Dutch GAAP migrates towards IFRS, and we are required to account for the Dutch Hybrid Instruments as debt. See "Description of Certain Indebtedness—Dutch Hybrid Instruments" and "Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS." The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obliged to do so, and any market making may be discontinued at any time without notice.

The liquidity of a trading market for the notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the notes, regardless of our prospects and financial performance.

You may face foreign exchange risks by investing in the notes.

The notes will be denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, an investment in the notes will entail the risk of possible significant changes in the value of the euro relative to the currency which you measure the return on your investments against caused by economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the notes below their stated coupon rates and could result in a loss to you when the return on the notes is translated into the currency by reference to which you measure the return on your investments. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from an investment in the notes.

THE ACQUISITION, THE PROPERTY TRANSACTION AND RELATED TRANSACTIONS

The Acquisition

On April 26, 2004, Vendex KBB and VDXK, an acquisition vehicle controlled by investment funds advised by KKR and AlpInvest, announced the key terms of a recommended cash offer for all the outstanding share capital of Vendex KBB. On August 3, 2004, after the closing of the Tender Offer and the subsequent post-acceptance period, Vendex KBB was delisted from Euronext Amsterdam and VDXX owned 99.56% of its total outstanding share capital. The funding of the Acquisition amounted to approximately €2.5 billion and consisted of:

- €970 million of equity and equity related financing;
- €550 million of Term Loans;
- a €600 million Mortgage Loan;
- a €350 million Bridge Facility; and
- €55 million of existing indebtedness of Vendex KBB that was retained.

On August 5, 2004, investment funds advised by KKR syndicated part of their indirect equity interest in VDXK to investment funds advised by Cinven and investment funds advised by Permira. See "Principal Shareholders."

On or about September 30, 2004, the aggregate principal amount of the Term Loans was increased by €75 million to €625 million and the aggregate principal amount of the Bridge Facility was reduced by €75 million to €275 million.

The Property Transaction

As part of the financing of the Acquisition, our Propcos, which are "Unrestricted Subsidiaries" under the terms of the Indenture and are not subject to the restrictive covenants of the Indenture, have borrowed, on a limited recourse basis as described below, €600 million under the Mortgage Loan.

The Mortgage Loan is expected to be serviced by the rents paid by HEMA, Bijenkorf and V&D to our Propcos for the use of the 71 stores and three parking lots owned by the Propcos. The rental payments to be received by the Propcos from our operating business units for Fiscal 2004 amount to €65 million. Furthermore, prior to July 5, 2004, some of the operational fixed assets related to rented stores (such as fixtures and fittings) were reported as being leased by the Propcos to HEMA and Bijenkorf. On July 5, 2004, we modified this reporting methodology by allocating to the relevant business unit these operational fixed assets, with an aggregate value of approximately €50 million. Accordingly, going forward, our business units will not be charged any rent for these operational fixed assets, which rental payments totaled €7.5 million for Fiscal 2003. In order to compensate the Propcos for this reduction in rental income, we have increased the aggregate annual rental payments on properties to our Propcos by a corresponding €7.5 million. The lenders under the Mortgage Loan do not benefit from any direct guarantee or credit support from our operating business units and have no direct recourse against the assets of our operating business units, other than a first ranking pledge over the shares of the Propcos, a rental shortfall guarantee by Vendex KBB to the Propcos for the rental obligations of our operating business units and an assignment of an indemnity agreement from Vendex KBB and other operating companies in favor of the Propcos relating to certain tax, pension and other liabilities against which the Propcos are entitled to indemnification. The Propcos have also assigned their rights to receive rental payments to the lenders under the Mortgage Loan. The lenders under the Mortgage Loan benefit from a first priority mortgage over the properties owned by the Propcos. The lenders under the Senior Credit Facilities benefit from a second ranking mortgage over the properties owned by the Propcos and a second ranking pledge over the shares of the Propcos. The

Senior Credit Facilities contain certain covenants restricting the ability of our operating business units to, among other things, grant loans or guarantees to, assume any liabilities of, or enter into lease agreements other than on arm's-length terms with, the Propcos. These covenants are subject to certain exceptions, including loans to the Propcos to pre-finance capital expenditures in a maximum aggregate amount of €10 million at any time, obligations under certain lease agreements, certain management and indemnity agreements and the Propcos' tax liabilities. See "Description of Certain Indebtedness."

A portion of the proceeds received under the Mortgage Loan has been used by our Propcos to repay their existing debt and certain transaction costs. The remaining part of the proceeds, representing €481 million, have subsequently been loaned to Vendex KBB through an intercompany loan (the "Subordinated Propco Proceeds Loan"), and then used by Vendex KBB to repay part of its existing debt.

On September 30, 2004, the receivable arising for the Propcos out of the Subordinated Propco Proceeds Loan was purchased by VDXK from the Propcos in consideration for a limited recourse note. VDXK in turn contributed the Subordinated Propco Proceeds Loan receivable to Vendex KBB in exchange for equity and equity-related instruments. As a result, the borrower and the lender under the Subordinated Propco Proceeds Loan were consolidated in Vendex KBB, and the Subordinated Propco Proceeds Loan was extinguished. The issuer then assumed VDXK's position as a debtor under the limited recourse note in exchange for equity-related instruments issued by VDXK. Victoria Acquisition II B.V., the parent company of the issuer, then assumed the issuer's position as debtor under the limited recourse note in exchange for equity-related instruments issued by the issuer, resulting in the removal from the Restricted Group of the liability on the limited recourse note to the Propcos.

We refer to these transactions, together, as the "Property Transaction."

The Related Transaction

On September 13, 2004, Vendex KBB converted from a public limited liability company (N.V.) to a private limited liability company (B.V.). Having completed the conversion of Vendex KBB into a private limited liability company, we initiated a squeeze-out procedure which will result in VDXK owning 100% of Vendex KBB. The squeeze-out procedure is expected to be completed in the next six months. Subsequently, Vendex KBB is expected to merge into VDXK. While this merger is expected to take place after the completion of the squeeze-out procedure, under certain circumstances, the Consortium may cause the merger to occur prior to the completion of the squeeze-out procedure.

USE OF PROCEEDS

We estimate that the gross proceeds of this offering will be approximately €275 million. The issuer will lend the principal amount of the offering to Vendex KBB pursuant to a funding loan. Vendex KBB will in turn use the amounts received under the funding loan and cash on hand of €9 million to repay the principal amount outstanding under the Bridge Facility and the fees and expenses of the Refinancing. The Bridge Facility currently bears an interest rate of 700 bps above EURIBOR and has a scheduled maturity date of July 5, 2005. See "Description of Certain Indebtedness."

The following chart summarizes our expected sources and uses of funds:

Sources	(€ in millions)	Uses	(€ in millions)
Notes	275	Repayment of Bridge Facility	275
Cash on hand	9	Fees and Expenses	9
Total	**284**	**Total**	**284**

The initial purchasers are lenders under the Bridge Facility. The initial purchasers will therefore receive a portion of the net proceeds of this offering in repayment of amounts outstanding under the Bridge Facility.

CAPITALIZATION

The following table sets forth our historical unaudited consolidated cash and capitalization under Dutch GAAP as of August 1, 2004, and as adjusted to give effect to the Property Transaction and the Refinancing. See "Use of Proceeds." The actual information has been derived from our unaudited condensed consolidated balance sheet included elsewhere in this offering memorandum.

	As of August 1, 2004	
	Actual	**As adjusted**
	(unaudited)	**(unaudited)**
	(€ in millions)	
Cash and cash equivalents[1]	212.4	150.4
Short-term debt		
Senior Credit Facilities:		
Revolving Credit Facility (amount outstanding)	—	—
Current portion of Term Loans	7.5	7.5
Bridge Facility	350.0	—
Current portion of other debt	13.4	13.4
Long-term debt		
Senior Credit Facilities:		
Term loan A	292.5	292.5
Term loan B	150.0	162.5
Term loan C	100.0	162.5
Other debt	41.5	41.5
Subordinated debt		
Notes	—	275.0
Total Third-Party Restricted Group debt	954.9	954.9
Mortgage Loan to the Propcos[2]	600.0	600.0
Total debt	**1,554.9**	**1,554.9**
Group equity[3]	**970.0**	**1,451.2**
Total capitalization	**2,524.9**	**3,006.1**

(1) Cash includes €5 million owned by the Propcos. As adjusted cash is decreased by €53 million to reflect anticipated payments to purchase the remaining shares of Vendex KBB and to pay outstanding fees associated with the Acquisition.

(2) The Propcos are "Unrestricted Subsidiaries" under the Indenture and are not subject to the restrictive covenants of the Indenture. For a description of the Mortgage Loan, see "The Acquisition, the Property Transaction and Related Transactions—The Property Transaction" and "Description of Certain Indebtedness—Mortgage Loan."

(3) Group equity includes €947 million of equity-related instruments (also referred to as "Dutch Hybrid Instruments") with characteristics similar to permanent equity. In connection with the Property Transaction, we issued an additional €481 million Dutch Hybrid Instruments to Victoria Acquisition II B.V., our parent, in exchange for its assumption of liability under a limited recourse note payable to the Propcos. Under IFRS, these Dutch Hybrid Instruments would be likely to be treated as a liability, and for certain purposes under the Indenture, these Instruments will be treated as indebtedness. However, given their current treatment under Dutch GAAP, we have described the Dutch Hybrid Instruments as a form of equity throughout this offering memorandum. See "Description of Certain Indebtedness—Dutch Hybrid Instruments," "Description of the Notes" and "Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS."

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data as of the end of and for the Fiscal 2001, Fiscal 2002 and Fiscal 2003 periods have been derived from the consolidated financial statements of Vendex KBB included elsewhere in this offering memorandum. The selected historical consolidated financial data as of the end of and for the Half Year 2003 and Half Year 2004 periods have been derived from the unaudited interim consolidated financial information of Vendex KBB included elsewhere in this offering memorandum. The unaudited financial data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of results of the interim period and may not be indicative of future financial results.

Our financial reporting highlights the performance over time of those businesses that we continue to operate. Accordingly, items reported as being for "continued activities" in all fiscal periods reflect the performance only of the activities that we continue to engage in at present. As such, for all fiscal periods, "continued activities" refers to our DIY, HEMA, Apparel, Bijenkorf, V&D and Consumer Electronics business units, our Propcos and our other activities (in each case as described herein). Accordingly, in any fiscal period "discontinued activities" are those businesses which we owned during (at least part of) that period but which we no longer own.

The issuer's unaudited condensed consolidated balance sheet as of the end of Half Year 2004 reflects the Acquisition. The Acquisition has been accounted for using the purchase method of accounting under Dutch GAAP. Under this method, assets and liabilities are recorded at their fair value on the date of purchase. The total purchase price in excess of the preliminary estimate of fair value of the assets acquired (including both tangible and identifiable intangible assets) and liabilities assumed resulted in the creation of goodwill. We have not yet completed our final assessments of the fair value of the assets and liabilities acquired and accordingly cannot assure you that our actual results will be the same or similar to those presented in the unaudited condensed consolidated balance sheet.

Our historical consolidated financial statements are presented in euro and are prepared in accordance with Dutch GAAP, which differs in certain significant respects from IFRS. The material differences between Dutch GAAP and IFRS as they relate to us are discussed in "Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS."

You should read this selected historical consolidated financial data in conjunction with "Capitalization," "Summary Historical and Pro Forma Financial Data," "Operating and Financial Review and Prospects," "Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS" and the audited and unaudited historical consolidated financial statements and the related notes included elsewhere in this offering memorandum.

	Vendex KBB Historical				
	Fiscal			Half Year	
	2001	2002	2003	2003	2004[1]
				(unaudited)	
	(€ in millions, except for ratios, percentages and store data)				
Consolidated Profit and Loss Account Data					
Net turnover[2]:					
Continued activities	4,018	4,327	4,451	2,137	2,169
Discontinued activities	940	360	—	—	—
	4,958	4,687	4,451	2,137	2,169
Operating result:					
Continued activities	220	142	64	53	26
Discontinued activities	(119)	162	(3)	—	—
	101	304	61	53	26
Financial income and expenses[3]	(51)	(49)	(49)	(22)	(80)
Changes in value[4]	6	(16)	—	—	—
Result on ordinary activities before tax	56	239	12	31	(54)
Taxation	5	(35)	(4)	(11)	15
Other[5]	(48)	(2)	1	—	(1)
Net result	13	202	9	20	(40)
Consolidated Balance Sheet Data					
Cash	67	42	61	35	115
Other current assets	949	866	918	913	969
Tangible fixed assets	1,135	1,088	1,129	1,152	1,122
Total assets	2,224	2,238	2,410	2,393	2,504
Total debt[6]	895	731	903	874	1,023
Group equity	396	547	516	538	476
Consolidated Cash Flow Data					
Net investment in intangible fixed assets and tangible fixed assets (continued activities)	176	173	193	99	71
Cash flow from operations (continued activities)[7]	264	320	242	87	80
Other Financial Data					
Operational working capital[8]	399	287	305	295	306
Net rental expense[9]	162	194	215	105	112
Depreciation from continued activities[10]	120	140	160	73	81
Amortization of goodwill[11]	—	7	14	6	7
EBITDA from continued activities[12]	340	289	238	132	114
EBITDA margin from continued activities[13]	8.5%	6.7%	5.3%	6.2%	5.3%
EBITDAR from continued activities[12]	502	483	453	237	226

	Vendex KBB Historical				
	Fiscal			Half Year	
	2001	2002	2003	2003	2004
				(unaudited)	
	(€ in millions, except for ratios, percentages and store data)				
Segment Financial Data					
Net turnover from continued activities[2]:					
DIY	737	1,063	1,220	626	695
HEMA	924	911	918	426	430
Apparel	424	456	457	240	232
Bijenkorf	406	389	399	167	170
V&D	890	855	812	382	330
Consumer Electronics	590	615	603	279	288
Other	47	38	42	17	24
Total net turnover from continued activities	4,018	4,327	4,451	2,137	2,169
Store data (unaudited)					
DIY					
Stores	204	304	315	311	321
Net sales area (m^2)	600,600	852,475	948,625	926,150	979,900
HEMA					
Stores	279	289	305	296	313
Net sales area (m^2)	286,950	294,050	301,425	298,325	305,800
Apparel					
Stores	640	668	721	693	735
Net sales area (m^2)	108,950	112,650	120,700	116,350	122,725
Bijenkorf					
Stores	10	11	13	11	13
Net sales area (m^2)	93,650	99,675	107,725	99,675	110,225
V&D					
Stores	69	70	72	70	60
Stand-alone restaurants	16	16	15	15	16
Net sales area (m^2)	351,275	354,300	355,600	351,650	328,100
Consumer Electronics					
Stores	308	304	314	307	317
Net sales area (m^2)	113,375	112,700	110,750	113,275	111,650

(1) See "Operating and Financial Review and Prospects—Recent Developments" for a discussion of certain key accounting consequences of the possible sale of IMpact.

(2) In accordance with guidelines published in November 2002 by the Dutch Council for Annual Reporting, we have changed our revenue recognition policies to align with IFRS. The change has been reflected for all periods beginning after February 3, 2002 and accordingly our Fiscal 2001 is not presented on a comparable basis.

(3) Financial income and expenses includes one-time costs of €49 million in Half Year 2004, which relates to the repayment of financial indebtedness as a result of the Acquisition.

(4) Represents changes in value of, and income from, receivables forming part of fixed assets, and in the value of, and income from, securities.

(5) Other represents extraordinary expenses after tax of €48 million for Fiscal 2001 and represents results from participating interests for all other periods.

(6) Represents third-party interest-bearing indebtedness.

(7) Cash flow from operations (continued activities) represents operating result from continued activities plus depreciation and amortization, plus or minus movements in inventories, debtors, short-term liabilities, operating provisions and other movements. For the avoidance of doubt this amount has not been reduced by consolidated interest expense and taxation on continued activities because such amounts cannot be allocated between continued and discontinued activities.

(8) Operational working capital is calculated as inventories plus debtors less short-term liabilities.

(9) Net rental expense represents aggregate rental expense paid to third-parties less rental income received from third-parties.

(10) Depreciation expense is primarily reflected in selling and distribution costs in the consolidated financial statements elsewhere in this offering memorandum.

(11) Amortization expense is reflected in general and administrative expenses in the consolidated financial statements included elsewhere in this offering memorandum.

(12) EBITDA from continued activities represents operating result before discontinued activities, depreciation and amortization. EBITDAR from continued activities represents EBITDA from continued activities before net rental expense. These measures are presented because we believe that they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. However, other companies in our industry may calculate them differently than we do. EBITDA from continued activities and EBITDAR from continued activities are not measurements of financial performance under generally accepted accounting principles and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with Dutch GAAP. The following table presents the calculation of these measures:

	Vendex KBB Historical				
	Fiscal			**Half Year**	
	2001	**2002**	**2003**	**2003**	**2004**
Operating result	101	304	61	53	26
Adjusted for:					
Discontinued activities	119	(162)	3	—	—
Depreciation	120	140	160	73	81
Amortization	—	7	14	6	7
EBITDA from continued activities	340	289	238	132	114
Net rental expense	162	194	215	105	112
EBITDAR from continued activities	502	483	453	237	226

(13) EBITDA margin from continued activities represents EBITDA from continued activities divided by net turnover from continued activities, expressed as a percentage.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated financial information of the issuer has been prepared in accordance with Dutch GAAP and has been derived from the historical financial information of the issuer and Vendex KBB.

The unaudited pro forma condensed consolidated balance sheet gives effect to the Refinancing, the Property Transaction and the deconsolidation of the Propcos as if they had occurred on August 1, 2004. The unaudited pro forma condensed consolidated profit and loss accounts give effect to the Refinancing, the Acquisition (taking into account the matters disclosed in note 7), the Property Transaction, and the deconsolidation of the Propcos as if they had occurred on February 2, 2003.

The Acquisition has been accounted for using the purchase method of accounting under Dutch GAAP. Under this method, assets and liabilities are recorded at their fair values on the date of purchase. The total purchase price (including cost directly related to the Acquisition) in excess of the preliminary estimate of fair value of the assets acquired (including both tangible and identifiable intangible assets) and liabilities assumed resulted in the creation of goodwill. We have not yet completed our final assessments of the fair values of the assets and liabilities acquired and accordingly cannot assure you that our actual results will be the same or similar to those presented in the following unaudited pro forma condensed consolidated financial information.

The pro forma adjustments are based on available information and assumptions that we believe are reasonable. The unaudited pro forma consolidated financial information is for informational purposes only, and does not purport to present what our results of operations and financial condition would have been had these transactions actually occurred, nor does it project our results of operations for any future period or our financial condition at any future date.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the "Summary Historical and Pro Forma Financial Data," "Selected Historical Consolidated Financial Data," "Operating and Financial Review and Prospects," our historical unaudited condensed consolidated balance sheet and the historical consolidated financial statements of Vendex KBB, each included elsewhere in this offering memorandum.

The unaudited pro forma consolidated financial information does not give effect to the annual fee of €2.0 million to be paid to the Consortium. See "Certain Relations and Related Party Transactions."

Victoria Acquisition III B.V.
Unaudited Pro Forma Condensed Consolidated Balance Sheet as of August 1, 2004

	Historical Consolidated Victoria Acquisition III B.V.	Pro Forma Adjustments: The Refinancing	Pro Forma Adjustments: Property Transaction	Pro Forma	Adjustment for Propcos[6]	Pro Forma Restricted Group
		(€ in millions)				
Fixed assets:						
Intangible fixed assets	1,092	—	—	1,092	—	1,092
Tangible fixed assets	1,444	—	—	1,444	(800)	644
Financial fixed assets	51	—	481 [4]	532	39	571
	2,587	—	481	3,068	(761)	2,307
Current assets:						
Inventories	646	—	—	646	—	646
Debtors	333	9 [1]	—	342	(8)	334
Cash	212	(9)[2]	—	203	(5)	198
	1,191	—	—	1,191	(13)	1,178
Current liabilities:						
Short-term liabilities—external	(703)	—	—	(703)	5	(698)
Short-term liabilities—intercompany	—	—	—	—	(44)	(44)
Short-term loans	(371)	350 [3]	—	(21)	—	(21)
Current assets less current liabilities	117	350	—	467	(52)	415
Capital employed	2,704	350	481	3,535	(813)	2,722
Financed by:						
Long-term liabilities:						
Senior Credit facility	543	75 [3]	—	618	—	618
Existing debt	42	—	—	42	—	42
Notes offered hereby	—	275 [3]	—	275	—	275
Mortgage loan	600	—	—	600	(600)	—
Provisions	549	—	—	549	(213)	336
Group equity	970	—	481 [5]	1,451	—	1,451
	2,704	350	481	3,535	(813)	2,722

Victoria Acquisition III B.V.
Unaudited Pro Forma Condensed Consolidated Profit and Loss Account for Fiscal 2003

	Vendex KBB Historical	Pro Forma Adjustments: Acquisition	Pro Forma Adjustments: The Refinancing	Pro Forma Adjustments: Property Transaction	Pro Forma	Adjustment for Propcos[13]	Pro Forma Restricted Group
				(€ in millions)			
Turnover	4,451	—	—	—	4,451	—	4,451
Cost of sales	(2,844)	—	—	—	(2,844)	—	(2,844)
Gross operating result	1,607	—	—	—	1,607	—	1,607
Selling and distribution costs	(1,287)	(2)[7]	—	—	(1,289)	(42)	(1,331)
General and administrative expenses	(259)	(42)[7,8]	—	—	(301)	—	(301)
Other operating income	—	—	—	—	—	—	—
Operating result	61	(44)	—	—	17	(42)	(25)
Financial income and expenses	(49)	(57)[9]	5 [11]	26 [12]	(75)	6	(69)
Result on ordinary activities before tax	12	(101)	5	26	(58)	(36)	(94)
Taxation	(4)	20 [10]	(2)[10]	(9)[10]	5	11	16
Results of participating interests	1	—	—	—	1	—	1
Net result	9	(81)	3	17	(52)	(25)	(77)

Victoria Acquisition III B.V.
Unaudited Pro Forma Condensed Consolidated Profit and Loss Account for Half Year 2004

	Vendex KBB Historical	Pro Forma Adjustments: Acquisition	Pro Forma Adjustments: The Refinancing	Pro Forma Adjustments: Property Transaction	Pro Forma	Adjustment for Propcos[13]	Pro Forma Restricted Group
	(€ in millions)						
Turnover	2,169	—	—	—	2,169	—	2,169
Cost of sales	(1,388)	—	—	—	(1,388)	—	(1,388)
Gross operating result	781	—	—	—	781	—	781
Selling and distribution costs	(586)	(1)[7]	—	—	(587)	(17)	(604)
General and administrative expenses	(176)	1 [7,8]	—	—	(175)	—	(175)
Other operating income	7	—	—	—	7	—	7
Operating result	26	—	—	—	26	(17)	9
Financial income and expenses	(80)	28 [9]	2 [11]	13 [12]	(37)	3	(34)
Result on ordinary activities before tax	(54)	28	2	13	(11)	(14)	(25)
Taxation	15	(17)[10]	(1)[10]	(5)[10]	(8)	5	(3)
Results from participating interests	(1)	—	—	—	(1)	—	(1)
Net result	(40)	11	1	8	(20)	(9)	(29)

Victoria Acquisition III B.V.
Unaudited Pro Forma Condensed Consolidated Profit and Loss Account for Half Year 2003

	Vendex KBB Historical	Pro Forma Adjustments: Acquisition	Pro Forma Adjustments: The Refinancing	Pro Forma Adjustments: Property Transaction	Pro Forma	Adjustment for Propcos[13]	Pro Forma Restricted Group
				(€ in millions)			
Turnover	2,137	—	—	—	2,137	—	2,137
Cost of sales	(1,365)	—	—	—	(1,365)	—	(1,365)
Gross operating result	772	—	—	—	772	—	772
Selling and distribution costs	(579)	(1)[7]	—	—	(580)	(21)	(601)
General and administrative expenses	(140)	(21)[7]	—	—	(161)	—	(161)
Other operating income	—	—	—	—	—	—	—
Operating result	53	(22)	—	—	31	(21)	10
Financial income and expenses	(22)	(31)[9]	2 [11]	13 [12]	(38)	3	(35)
Results on ordinary activities before tax	31	(53)	2	13	(7)	(18)	(25)
Taxation	(11)	11 [10]	(1)[10]	(5)[10]	(6)	6	—
Results from participating interests	—	—	—	—	—	—	—
Net result	20	(42)	1	8	(13)	(12)	(25)

Victoria Acquisition III B.V.
Unaudited Pro Forma Condensed Consolidated Profit and Loss Account of the Restricted Group
For the Last Twelve Months ended August 1, 2004

	Half Year 2004	Fiscal 2003	Half Year 2003	LTM[(a)]
		(€ in millions)		
Turnover	2,169	4,451	2,137	4,483
Cost of sales	(1,388)	(2,844)	(1,365)	(2,867)
Gross operating result	781	1,607	772	1,616
Selling and distribution costs	(604)	(1,331)	(601)	(1,334)
General and administrative expenses	(175)	(301)	(161)	(315)
Other operating income	7	—	—	7
Operating result	9	(25)	10	(26)
Financial income and expenses	(34)	(69)	(35)	(68)
Result on ordinary activities before tax	(25)	(94)	(25)	(94)
Taxation	(3)	16	—	13
Results from participating interests	(1)	1	—	—
Net result	(29)	(77)	(25)	(81)

(a) Represents the Half Year 2004 plus Fiscal 2003 less Half Year 2003.

Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet
(all amounts in € millions, except percentages)

1. Represents the estimated debt issuance costs associated with the borrowings used to redeem the Bridge Facility including the increase in the Senior Credit Facilities and the issuance of the notes. The classifications of these costs is consistent with prior accounting treatment by Vendex KBB, under which debt issuance costs were capitalized and included within debtors on the balance sheet.

2. Represents the decrease in cash resulting from the payment of the estimated debt issuance costs and the accrued interest related to the Bridge Facility.

3. Represents the adjustments to give effect to the changes in outstanding borrowings in connection with repayment of the Bridge Facility as follows:

Short-term loans:	
Repayment of Bridge Facility	350.0
Long term liabilities:	
Senior Credit Facilities—Term B Loan	12.5
Senior Credit Facilities—Term C Loan	62.5
Total increase in Senior Credit Facilities	75.0
Notes offered hereby	275.0
Net increase in long-term liabilities	350.0
Net increase in total borrowings	—

4. Before giving pro forma effect to the Property Transaction, the lender and borrower of the €481 million Subordinated Propco Proceeds Loan were each members of the issuer's consolidated reporting group, resulting in no recognition on the consolidated financial information of the receivable or payable associated therewith. As a result of the Property Transaction, the receivable held by the Propcos must be recognized in the consolidated balance sheet.

5. Represents the issuance of equity-related instruments (Dutch hybrid instruments) to Victoria Acquistion II B.V. by the issuer in connection with the Property Transaction.

6. Represents the deconsolidation of the Propcos, which are the Unrestricted Subsidiaries under the Indenture. These shares and assets serve as security for the Mortgage Loan which is an obligation of the Propcos. These amounts are derived as follows:

	Historical Propcos[(A)]	Acquisition Adjustments	Reclassification	Pro Forma Propcos
Tangible fixed assets	454.9	345.5[(B)]	—	800.4
Financial fixed assets	481.2	—	(520.0)[(D)]	(38.8)
Debtors	51.7	—	(44.1)[(E)]	7.6
Cash	5.1	—	—	5.1
Short-term liabilities—external	(5.7)	—	—	(5.7)
Short-term liabilities—intercompany	—	—	44.1[(E)]	44.1
Mortgage loan	600.0	—	—	600.0
Provisions	93.5	119.2[(C)]	—	212.7
Group equity	293.7	226.3	(520.0)[(D)]	—

(A) Represents the historical assets and liabilities of the Propcos (excluding the leasehold improvements of leased property, which are included in the Restricted Group as a result of the Property Transfer).

Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet
(all amounts in € millions, except percentages)

(B) Represents the revaluation of tangible fixed assets (less one-month depreciation) in connection with the Acquisition that is not reflected in the historical Propcos' balance sheet.

(C) Represents the deferred tax liability associated with the revaluation of the tangible fixed assets.

(D) Represents the indirect investment of the issuer in the Propcos. The reclassification is made in order to present the investment in the Propcos as financial fixed assets of the Restricted Group.

(E) Represents ordinary course receivables from the Restricted Group. The reclassification is made in order to present the obligation to the Propcos as a short-term liability of the Restricted Group.

Notes to Unaudited Pro Forma Condensed Consolidated Profit and Loss Accounts
(all amounts in € millions, except percentages)

7. The accounting for the Acquisition has been based on a preliminary purchase price allocation. The preliminary allocation resulted in a net increase in depreciable tangible fixed assets of €253.3 million and the recognition of €848.6 million of goodwill. This adjustment represents:

   - the increase in depreciation expenses resulting from the net adjustment in tangible fixed assets depreciated over an estimated economic life ranging from 4 to 40 years. This depreciation has been historically recorded in selling and distribution costs by Vendex KBB; and
   - the increase in amortization expenses for the goodwill recognized and amortized over a period of 20 years. The goodwill amortization is historically included in general administrative expenses by Vendex KBB.

   We also recorded an increase of €69.2 million to record land at its estimated fair value, which is not depreciated.

	Fiscal 2003	Half Year 2003	Half Year 2004
Depreciation expense (included in selling and distribution costs	1.9	1.0	1.0
Amortization expense (included in general administrative expenses)	42.4	21.2	21.2

   The actual amortization and depreciation expense may change from this estimate upon the finalization of the purchase price allocation. The preliminary allocation is based upon estimates we believe are reasonable and is subject to revision as additional information becomes available.

   The pro forma Acquisition adjustments to the profit and loss account do not give effect to the different accounting principle for employee benefits as compared to Vendex KBB, because doing so would have involved the use of estimates that are currently based on preliminary and overall calculations only. On a pro forma basis, the effect of this adjustment would have resulted in lower employee benefit costs and therefore higher pro forma operating result. The different accounting principle has no impact on cash flows.

8. We incurred costs directly associated with the Acquisition that have been reflected in the historical profit and loss account. This represents the elimination of these direct charges and consists of the following:

Fiscal 2003:	
Professional advisers fees	0.5
Total exceptional charges on Acquisition	0.5
Half Year 2004:	
Professional advisers fees	14.6
Redemption of stock options	7.6
Total exceptional charges on Acquisition	22.2

   These adjustments are offset against the increase in amortization expense described above to derive the pro forma adjustment to general and administrative expenses.

Notes to Unaudited Pro Forma Condensed Consolidated Profit and Loss Accounts
(all amounts in € millions, except percentages)

9. Our debt was restructured in connection with the Acquisition. The following represents interest expense for an annual period based on the new debt structure established in connection with the Acquisition:

	Interest rate (%)	Amount	Interest
Senior Credit Facilities[(A)]			
Term Loan A[(B)]	4.37	150.0	6.5
Term Loan B[(C)]	4.87	75.0	3.6
Term Loan C[(D)]	5.37	50.0	2.7
Term Loan A—hedged[(B)]	5.77	150.0	8.7
Term Loan B—hedged[(C)]	6.27	75.0	4.7
Term Loan C—hedged[(D)]	6.77	50.0	3.4
Bridge Facility[(E)]	9.12	350.0	31.9
Mortgage Loan—hedged[(F)]	5.33	450.0	24.0
Mortgage Loan[(F)]	4.25	150.0	6.4
Other liabilities[(G)]	9.54	54.9	5.2
Debt issuance costs and other[(H)]		49.7	8.0

	Fiscal 2003	Half Year 2004	Half Year 2003
Total pro forma interest as a result of the Acquisition	105.1	52.6	52.6
Less: Historical interest expense	(48.1)	(80.3)	(21.4)
Pro forma adjustment	57.0	(27.7)	31.2

(A) The Senior Credit Facilities require us to enter into derivative instruments to fix the interest rate on a minimum of 50% of the outstanding borrowings. We have assumed that the minimum amount has been hedged.

(B) Interest on the Term Loan A is payable at EURIBOR (assumed at 2.12%) plus a margin ranging from 2.25% to 1.25%. We have assumed a margin of 2.25%. For the hedged portion of Term Loan A we have assumed a fixed rate of 3.52% plus the margin of 2.25%, based on the average swap rate for the next three years.

(C) Interest on the Term Loan B is payable at EURIBOR (assumed at 2.12%) plus a margin ranging from ranging from 2.75% to 2.25%. We have assumed a margin of 2.75%. For the hedged portion of Term Loan B we have assumed a fixed rate of 3.52% plus the margin of 2.75%, based on the average swap rate for the next three years.

(D) Interest on the Term Loan C is payable at EURIBOR (assumed at 2.12%) plus a margin of 3.25%. For the hedged portion of Term Loan C we have assumed a fixed rate of 3.52% plus the margin of 3.25%, based on the average swap rate for the next three years.

(E) Interest on the Bridge Facility is payable at EURIBOR (assumed at 2.12%) plus a margin of 7% (increasing upwards from six months after the initial borrowing date). We have assumed a margin of 7%.

(F) The Mortgage Loan requires us to enter into derivative instruments to fix the interest rate on a minimum of 75% of the borrowings. Interest on the Mortgage Loan is payable at EURIBOR plus a margin of 1.75%. For the hedged portion of the borrowings we have assumed a fixed rate of 3.58% plus a margin of 1.75%, based on the average swap rate for the next five years. In addition, we have an interest cap for our remaining interest rate exposure. The assumed rate for the remaining part of the mortgage loan reflects EURIBOR (assumed at 2.12%) plus a margin of 1.75% plus a cap premium of 0.38%. Should EURIBOR rise above 3.75% the maximum interest on the non-hedged portion of the mortgage loan is 5.88%, including margin and the cap premium.

(all amounts in € millions, except percentages)

(G) Interest on the retained indebtedness represents the actual historical interest expense.

(H) This represents debt issuance costs and commitment fees associated with our senior indebtedness. The debt issuance costs are amortised over the terms of the debt instrument which ranges from 7 to 10 years.

The EURIBOR rate applied is based on the historical 6-month rate at August 1, 2004. The effect on the pro forma income of a change of 0.125% in EURIBOR interest rates on the variable rate debt would be approximately €0.4 million for the Half Year 2004, €1.0 million for the Fiscal 2003, and €0.5 million for the Half Year 2003.

10. Represents incremental tax effect, at an assumed tax rate of 34.5%. There is no tax effect included for the amortization of goodwill.

11. We intend to use the proceeds of the Refinancing and cash on hand to repay the Bridge Facility together with accrued interest and fees associated with the notes offered hereby. The following pro forma adjustments reflect the repayment of the Bridge Facility:

	Interest rate (%)	Amount	Interest
Notes offered hereby[(A)]			
€275 million Notes due in 2014	8.00	275.0	22.0
Senior Credit Facilities			
Term Loan B[(B)]	5.57	12.5	0.7
Term Loan C[(C)]	6.07	62.5	3.8
Debt issuance costs[(D)]		9.3	0.7
			27.2
Bridge Facility interest			(31.9)
Pro forma interest saving:			
Fiscal Year 2003			(4.7)
Half Year 2003 and 2004			(2.4)

(A) We have assumed interest rate of 8.00%. The effect on the pro forma result on ordinary activities before tax of a 0.125% change in this rate would be approximately €0.3 million on an annual basis and €0.2 million for a half year.

(B) Interest on the Term Loan B is payable at EURIBOR (assumed at 2.12%) plus a margin ranging from 2.75% to 2.25%. We have assumed a margin of 2.75%. We have assumed 50% of the borrowings will be hedged and for that portion have assumed a fixed rate of 3.52% plus the margin of 2.75%, based on the average swap rate for the next three years.

Notes to Unaudited Pro Forma Condensed Consolidated Profit and Loss Accounts
(all amounts in € millions, except percentages)

(C) Interest on the Term Loan C is payable at EURIBOR (assumed at 2.12%) plus a margin of 3.25%. We have assumed 50% of the borrowings will be hedged and for that portion assumed a fixed rate of 3.52% plus the margin of 3.25%, based on the average swap rate for the next three years.

(D) Reflects the amortization of estimated debt issuance costs of the notes and increased Senior Credit Facilities over an average life of 8 to 10 years. In addition, this assumes that the debt issuance costs related to the Bridge Facility will continue to be amortized over the life of the facilities which were used to redeem the Bridge Facility.

12. Represents interest income associated with the loan to Victoria Acquisition II B.V. of €481 million. The interest rate assumed is equal to the average interest cost of the Mortgage Loan plus margin of 0.13% (approximately 5.39%).

13. Represents the deconsolidation of the Propcos, which are the Unrestricted Subsidiaries under the Indenture. These amounts are derived as follows:

	Fiscal 2003			
	Historical Propcos(A)	Acquisition	Property Transaction	Pro Forma Propcos
Turnover	—	—	—	—
Cost of sales	—	—	—	—
Gross operating result	—	—	—	—
Selling and distribution costs	41.1	(6.9)(B)	7.5(E)	41.7(G)
Administrative costs	—	—	—	—
Other income	—	—	—	—
Operating result	41.1	(6.9)	7.5	41.7
Financial income and expenses	—	(31.6)(C)	26.1(F)	(5.5)
Result on ordinary activities before tax	41.1	(38.5)	33.6	36.2
Taxation	(12.9)	13.3(D)	(11.6)(D)	(11.2)
Net result	28.2	(25.2)	22.0	25.0

	Half Year 2004			
	Historical Propcos(A)	Acquisition	Property Transaction	Pro Forma Propcos
Turnover	—	—	—	—
Cost of sales	—	—	—	—
Gross operating result	—	—	—	—
Selling and distribution costs	17.2	(3.5)(B)	3.2(E)	16.9(G)
Administrative costs	—	—	—	—
Other income	—	—	—	—
Operating result	17.2	(3.5)	3.2	16.9
Financial income and expenses	(1.3)	(14.5)(C)	13.1(F)	(2.7)
Result on ordinary activities before tax	15.9	(18.0)	16.3	14.2
Taxation	(5.5)	6.2(D)	(5.6)(D)	(4.9)
Net result	10.4	(11.8)	10.7	9.3

Notes to Unaudited Pro Forma Condensed Consolidated Profit and Loss Accounts
(all amounts in € millions, except percentages)

	Half Year 2003			
	Historical Propcos(A)	Acquisition	Property Transaction	Pro Forma Propcos
Results before exceptional items:				
Turnover	—	—	—	—
Cost of sales	—	—	—	—
Gross operating result	—	—	—	—
Selling and distribution costs	21.1	(3.5)(B)	3.8(E)	21.4(G)
Administrative costs	—	—	—	—
Other income	—	—	—	—
Operating result	21.1	(3.5)	3.8	21.4
Financial income and expenses	—	(15.8)(C)	13.1(F)	(2.7)
Results on ordinary activities before tax	21.1	(19.3)	16.9	18.7
Taxation	(7.4)	6.7(D)	(5.8)(D)	(6.5)
Net result	13.7	(12.6)	11.1	12.2

(A) Represents the historical results of the Propcos.

(B) Represents the additional depreciation expense associated with the increase in fair value of the tangible assets.

(C) Represents the increase in interest expense associated with the Mortgage Loans (see footnote 9).

(D) Represents an adjustment to reflect the tax effect at an assumed rate of 34.5%.

(E) Represents the decrease in expenses as a result of the transfer of tangible fixed assets.

(F) Represents interest income associated with the €481 million Subordinated Propco Proceeds Loan assumed by Victoria Acquisition II B.V.

(G) Consists of the following:

	Fiscal 2003	Half Year 2004	Half Year 2003
Rental income	64.6	32.7	32.3
Depreciation expense	(21.8)	(13.3)	(11.7)
Other income and operating expenses	(1.1)	(2.5)	0.8
Selling and distribution costs	41.7	16.9	21.4

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following is a discussion of our results of operations and financial condition in the periods set forth below. For the convenience of the reader, financial amounts have been rounded and as a result of such rounding adjustments, figures shown as totals and period changes presented in percentages in the discussion and analysis may not be exact arithmetic aggregations of the figures shown in tables.

You should read this discussion in conjunction with the sections entitled "Selected Historical Consolidated Financial Data" as well as with our audited and unaudited historical and pro forma consolidated financial statements and the related notes included elsewhere in this offering memorandum. We prepare our financial statements in accordance with Dutch GAAP. There are significant differences between Dutch GAAP and IFRS. For more information, please see "Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS." In this Operating and Financial Review and Prospects, we generally use "we," "our" and other similar terms to refer to, prior to the Acquisition, the business of Vendex KBB and its subsidiaries, and subsequent to the Acquisition, the issuer and its subsidiaries, including Vendex KBB and its subsidiaries.

The discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied herein. For a discussion of some of those risks and uncertainties, please see the sections entitled "Information Regarding Forward-Looking Statements" and "Risk Factors."

Overview

We are the leading non-food retailer in the Netherlands with an estimated 8% overall market share and with expanding operations in Belgium, France, Germany, Denmark, Luxembourg and Spain. We were created in 1999 through the merger of two of the oldest and largest retail groups in the Netherlands, Vendex International N.V. and N.V. Koninklijke Bijenkorf Beheer KBB, which were founded respectively in 1887 and 1870. We are organized into six main business units: DIY; HEMA (variety store); Apparel; Bijenkorf and V&D (both department stores); and Consumer Electronics. In addition, we also operate a number of smaller retail-related and service businesses. Our business units comprise a total of 15 retail formats, which we believe represents a diversified portfolio of well-established brands, many of which are household names in the Netherlands.

We operate 1,785 stores, both directly and through franchises, representing approximately two million square meters of net retail space. We estimate that, in the Netherlands alone, our retail formats collectively receive an average of eight million visitors per week.

Significant Factors Affecting our Results of Operations

The Acquisition, Property Transaction and Related Transactions

In the future, we intend to report results of operations for the issuer and its consolidated subsidiaries. Such results of operations may not be comparable to our previously reported results of operations due to the Acquisition, the application of purchase accounting adjustments related thereto, and the Property Transaction. In particular:

- the indebtedness incurred in connection with the Acquisition and related transactions significantly increases our interest expense;
- the substantial indebtedness incurred to finance the Acquisition has significantly increased our total liabilities; and

• the significant adjustment to goodwill and tangible/intangible assets recorded in connection with the Acquisition and related transactions has led to a significant increase in amortization and depreciation expenses.

For information regarding the nature and pro forma effect of the above-mentioned adjustments on the results of operations of the issuer and its consolidated subsidiaries, see "Unaudited Pro Forma Condensed Consolidated Financial Information."

In addition, included in this offering memorandum are the results of operations of the issuer and its consolidated subsidiaries for Half Year 2004, which results contain adjustments for the Acquisition and the application of purchase accounting adjustments related thereto. These results only reflect the results of operations of Vendex KBB and its consolidated subsidiaries from July 5, 2004, the effective date of the Acquisition, and are therefore not directly comparable to the results of operations of Vendex KBB and its subsidiaries, which do not contain such adjustments.

Streamlining of Retail Formats—Discontinued Operations

Since the merger of Vendex International N.V. and N.V. Koninklijke Bijenkorf Beheer KBB in 1999, we have sold or liquidated 16 retail formats. These events have resulted in a substantial change in the composition of our group. As a result of our various disposals and terminations, our results from discontinued activities have varied significantly between the periods discussed below, and certain of the disposals have also impacted other portions of our profit and loss account, such as taxation. The most significant retail format disposals and terminations that we have made are described below.

In the course of Fiscal 2001, the Amici operations were wound down and store leases and staff were transferred to a third party. The Amici sale had no impact on our operating result as the net premiums received in connection with the transfer of leases and the release of a provision previously taken for restructuring offset operational losses from Amici in Fiscal 2000 up to the announcement date.

During Fiscal 2001, we sold the US toy chain FAO Schwarz in an asset sale. Out of a total of 42 stores, 25 stores were transferred to the buyer in exchange for a vendor note and an equity stake in the buyer, both of which we valued at zero. The remaining 17 stores were discontinued. In connection with this disposal we recognized a book loss of €160 million, covering pre-transaction operational losses in Fiscal 2001 and all closure, restructuring and wind down costs. The transaction qualified as a liquidation of a foreign subsidiary under Dutch income tax laws, which allowed us to take all cumulative losses since the acquisition of FAO Schwarz by N.V. Koninklijke Bijenkorf Beheer KBB in the early 1990s, including the capital loss on the sale, against Dutch profits. This resulted in a tax credit of €82 million in Fiscal 2001.

During Fiscal 2002, we completed a packaged sale (the "Packaged Sale") of six operating companies operating ten retail formats in a variety of product groups (including shoes, jewellery, optics, baby and maternity apparel and sportswear and sporting articles), which resulted in a book profit of €145 million. This transaction led to a substantial simplification of our group. The ten retail formats involved represented nearly half of our retail formats, but only approximately 15% of net turnover in Fiscal 2001. We also terminated the operations of a Consumer Electronics retail format in Fiscal 2002 and separately disposed of a smaller Apparel retail format which together resulted in a book loss of €4 million.

In addition, during Fiscal 2002 we restructured our central information technology ("IT") organization and, following the Packaged Sale, we disposed of our Sittard IT location, which had primarily serviced the businesses sold. The resulting one-time loss of €15 million was recorded under "Other."

We include the turnover and results of the disposed or terminated retail formats in the discontinued activities sections of our profit and loss account. Turnover and operating result from discontinued activities reflect the turnover and operating result from the businesses that we disposed of or terminated. Operating result from discontinued activities also reflects the book gains and losses that we record in connection with the disposals or terminations as well as any costs relating to such disposals or terminations.

Expansion and Acquisitions

We have actively pursued the development and expansion of a selected number of retail formats both through the opening of new stores as well as the acquisition of whole businesses or groups of stores. In a number of cases this has taken the group into new geographical markets within Europe. These expansion activities have significantly affected our results of operations from continued activities in the periods discussed below.

Our Apparel business unit has grown predominantly by organic expansion. M&S grew rapidly in France, adding a total of 60 stores since the beginning of Fiscal 2001 through the end of Half Year 2004. In Fiscal 2002, we opened two pilot M&S stores in Spain. Following the success of the pilot program, we decided to continue the expansion and have opened an additional seven stores in Spain through Half Year 2004. Hunkemöller significantly expanded its operations in Denmark by opening a further eight stores since the beginning of Fiscal 2001 through the end of Half Year 2004 and, following the success of its pilot program, opened a further ten stores in France in the same period. In addition to expanding into new markets, Hunkemöller opened a further ten stores in the Netherlands and seven stores in Germany during the same period.

Our HEMA business unit has also expanded both in the Netherlands and in other countries. Since Fiscal 2001, HEMA opened 16 stores in the Netherlands, 15 stores in Belgium and three pilot stores in Germany.

In Fiscal 2002, we acquired the Belgian DIY operations of Brico, the market leader in Belgium, which took us into the Belgian market with 97 stores that we continue to operate under the Brico retail format. The inclusion of Brico for ten months of Fiscal 2002 added €310 million of net turnover, representing 29% of net turnover from continued activities in the DIY business unit in Fiscal 2002. In addition, we acquired seven megastores in Belgium from Leroy Merlin and Castorama effective July 2003 and August 2003, respectively. In all, our DIY business unit grew from €737 million annual net turnover in Fiscal 2001, to €1,289 million in the Last 12 Months.

We will continue to consolidate our leading market positions in the Netherlands through selective investments that meet our stringent return on capital requirements. We will also selectively pursue the international growth of those retail formats that have demonstrated the potential to be successful in other European countries. We have identified our DIY, HEMA and Apparel business units as the most suitable for international expansion.

V&D Restructuring

V&D has experienced serious difficulties in recent years. In Fiscal 2002, V&D reported a €59 million operating loss, which included a one-time charge of €48 million (of which we subsequently withdrew €18 million) taken in connection with the clearance of older merchandise and various revitalization measures. In Fiscal 2003, our V&D business unit reported an operating loss of €39 million excluding the €80 million one-time charge relating to the V&D restructuring plan announced in September 2003 of which €60 million related to a reduction of 1,800 FTEs and €20 million related to the closing of 12 V&D department stores. The difficulties at V&D were the result of several factors, including a promotion-driven purchasing strategy and outdated supply chain management. These problems were compounded by a lack of coherent positioning within and among product categories and the complexity of operating too many small stores with marginal contributions in terms of profitability. The first measures of the restructuring plan announced in Fiscal 2003 have already resulted in annualized cost savings of approximately €50 million. With the business now stabilized, we are focused on improving gross margin and re-invigorating V&D's like-for-like sales growth through a complete renewal of styling, product offering, advertising and branding and the introduction of a new store concept. See "—Results of Operations—Segmental—V&D" below and "Business—Our V&D Operations" for further discussion of both V&D's recent results and the restructuring program.

Seasonality and Weather

Our business is highly seasonal. For most of our business units, our most important trading period in terms of turnover, operating result and cash flow is the Christmas season (the second half of November through December). Spring and summer are also important periods for our DIY business unit.

Our results are also affected by periods of abnormal or unseasonal weather conditions. Adverse weather conditions early in the season have a double impact on profitability, leading first to a slowdown in sales at full margin, usually followed by more extensive markdowns at the end of the season.

General economic conditions in the Netherlands

As discussed in "Risk Factors—Risks Relating to Us and Our Business—We are significantly affected by general economic conditions in the Netherlands and across Europe," our results are affected by general economic conditions, primarily in the Netherlands. While we have expanded beyond the Netherlands in recent years, the Netherlands currently is still our most significant market, representing approximately 82% of our net turnover in Fiscal 2003. According to the Dutch Central Bureau of Statistics ("CBS"), consumer confidence in July 2003 was at the lowest point since the early 1980s. Since then, consumers have become more positive about the economic situation, but according to the CBS, consumer confidence still remains at a low level. According to the CBS, GDP increased by 1.4% and 0.6% in 2001 and 2002, respectively, and declined by 0.9% in 2003. After three consecutive quarters with a positive quarter-on-quarter GDP growth corrected for seasonal effects and working days, GDP decreased by 0.2% in the second quarter of 2004. According to the CBS, the July 2004, interannual inflation rate in the Netherlands was at 1.1% which was the second lowest in the Euro-zone after Finland. According to the CBS, unemployment has risen almost continually over the last three years with an average of 6.4% of the labor force unemployed in the period May-July 2004. According to the CBS, in the second quarter of 2004, retail trade in the Netherlands saw its turnover decline by 2.4% compared to the same quarter of 2003. In addition, according to the CBS, turnover of retail trade in each of the last five quarters has been lower than in the same respective quarters of the previous year.

Set forth below is the consumer spending table released by the CBS as at September 24, 2004.

	2004 as compared to the same period in 2003[1]				2003 as compared to 2002
	May	June	Second Quarter	January to June	
	(% change)				
Total retail[2]					
Consumer spending	(7.0)	1.1	(2.4)	(2.9)	(2.9)
Prices	(1.5)	(1.5)	(1.5)	(1.3)	0.3
Items sold by volume	(5.6)	2.6	(1.0)	(1.6)	(3.2)
Non-food retail					
Consumer spending	(6.6)	0.8	(2.9)	(4.4)	(5.6)
Prices	(1.6)	(1.3)	(1.4)	(1.4)	(0.5)
Items sold by volume	(5.0)	2.2	(1.5)	(3.1)	(5.1)
Consumer spending in					
Drugstores	(3.2)	6.0	1.6	3.0	5.3
Apparel merchandisers	(5.2)	(2.9)	(3.2)	(6.7)	(10.0)
Consumer electronics[3]	(11.9)	2.8	(5.4)	(4.9)	(3.0)
Durable and DIY articles	(7.9)	3.1	(3.1)	(4.0)	(5.1)
Household appliances	1.3	12.2	6.1	4.5	5.3

(1) Preliminary figures.

(2) Excluding pharmacies.

(3) White and brown goods, telecommunication products, audio equipment, cameras and computers.

Recent Developments

In connection with the evaluation of the possible sale of all or part of our Consumer Electronics business unit, discussions have been progressing with a number of interested parties. Since July 31, 2004, we have commenced negotiations regarding the sale of our interest in IMpact, which comprises the retail formats It's, Modern Electronics and Prijstopper. If a transaction is concluded at the price forming the basis of the current negotiations, management expects that, in the accounts of Vendex KBB, the disposal would result in a pre-tax book loss of approximately €30 million, which management believes is tax deductible, resulting in an estimated book loss on disposal after tax of €20 million. If no transaction is concluded, management believes it has opportunities to improve the operating profitability of IMpact. Management did not include an impairment loss on the accounts of Vendex KBB in respect of IMpact in its Half Year 2004 financial statements. Had an impairment loss been recorded based on the price forming the basis of the current negotiations, Vendex KBB would have recorded the following accounting entries on its books: (i) a reduction in operating result of approximately €30 million, (ii) a reduction in net result of approximately €20 million and (iii) a reduction in group equity of approximately €20 million. These accounting entries would not have affected cash flow or adjusted EBITDA amounts for the Half Year 2004 presented elsewhere in this offering memorandum. Pending the outcome of negotiations, including the preparation and negotiation of definitive documents, management has not made any decision to sell IMpact at the price forming the basis of the current negotiations, and a transaction may or may not occur. If a transaction does occur at the price forming the basis of current negotiations, Victoria Acquisition III B.V., the issuer, would not record any impairment charge in its consolidated profit and loss accounts since, in connection with its preliminary purchase accounting, the relevant assets were recorded at their then estimated fair value.

Results of Operations—Consolidated

Set forth below is a discussion of our consolidated results of operations. This discussion is followed by a more detailed discussion of the results of each of our business units under the heading "—Results of Operations—Segmental."

Net Turnover

Net turnover represents the revenues from goods and services sold, net of VAT and sales discounts. In the case of company-operated stores, the net turnover is determined based on the amount paid by consumers net of VAT and sales discounts. In the case of franchise stores and concessions, net turnover is based on the value of goods delivered to franchisees or concession holders, as well as the franchise fees or the concessionary fees.

Changes to the principles for recording and presenting turnover

In accordance with a change to the Dutch guidelines for recording income (*RJ 270 profit and loss account*), the principles for recording and presenting turnover have been changed from Fiscal 2003. Guideline 270 sets out detailed criteria in relation to the definition of income and when turnover is to be recognized.

The table below shows the effect of the change, per year, on the net turnover per business unit.

	Fiscal 2002			Fiscal 2003		
	Net turnover per new definition	Net turnover per former definition	Effect	Net turnover per new definition	Net turnover per former definition	Effect
	(€ in millions, except percentages)					
DIY	1,063	1,066	0%	1,220	1,225	0%
HEMA	911	933	(2)%	918	939	(2)%
Apparel	456	455	0%	457	455	0%
Bijenkorf	389	420	(7)%	399	425	(6)%
V&D	855	856	0%	812	816	0%
Consumer Electronics	615	589	4%	603	585	3%
Other activities	38	38	0%	42	42	0%
Total	**4,327**	**4,357**	**(1)%**	**4,451**	**4,487**	**(1)%**

The main reasons for the differences between the net turnover as per the former definition and as per the new definition for Fiscal 2003 are as follows:

- At HEMA, the point-of-sale turnover of the franchisees' photo service and restaurant activities were formerly presented as turnover, whereas under the new guideline only supplies to franchisees may be presented as net turnover (effect –€19 million);
- Sales by concession holders at Bijenkorf were formerly presented as turnover, whereas under the new guideline only the fee may be presented as net turnover (effect –€25 million); and
- In Consumer Electronics, turnover generated by sales of services such as service certificates and extended guarantee insurance were formerly presented as other income, whereas the new guideline states that it should be presented as turnover (effect +€12 million).

There are no implications for the operating result or the opening equity. The comparative figures included in the following discussion have been adjusted accordingly.

Half Year 2004 Compared to Half Year 2003

Net turnover increased by €32 million, or 1.5%, from €2,137 million in Half Year 2003 to €2,169 million in Half Year 2004. The acquisition of the seven Belgian Leroy Merlin and Castorama DIY stores (which were both included for the entire period in Half Year 2004 as compared to Half Year 2003 where the six Leroy Merlin DIY stores were included for only one month) contributed an additional €57 million in net turnover, or an increase of 2.7%. Excluding this acquisition, net turnover decreased by €25 million, or 1.2%. The decrease in net turnover, excluding the effect of acquisitions, primarily resulted from lower net turnover in the V&D and Apparel business units, partially offset by increased sales at DIY, Consumer Electronics, Other, HEMA and Bijenkorf.

2003 Compared to 2002

In Fiscal 2003 we changed the principles for recording and presenting turnover. As a result, the comparative figure for consolidated net turnover of our continued activities for Fiscal 2003 has been adjusted from €4,487 million, according to the former definition of recording and presenting turnover, to €4,451 million, according to the new definition of recording and presenting turnover. Details of this change are described above under "—Results of Operations—Consolidated—Changes to the principles for recording and presenting turnover."

Net turnover decreased by €236 million, or 5.0%, from €4,687 million in Fiscal 2002 to €4,451 million in Fiscal 2003. Net turnover in Fiscal 2002 included €360 million from discontinued activities compared to none in Fiscal 2003. Net turnover from continued activities increased by €124 million, or 2.9%, from €4,327 million in Fiscal 2002 to €4,451 million in Fiscal 2003. The increase was entirely attributable to acquisitions, mainly Brico (which was included for the entire period in Fiscal 2003 compared to ten months in Fiscal 2002), the six Belgian Leroy Merlin DIY stores (which were included for approximately seven months in Fiscal 2003) and the one Belgian Castorama DIY store (which was included for approximately six months in Fiscal 2003). Excluding the effect of acquisitions, net turnover from continued activities increased in the HEMA, Bijenkorf and DIY business units which increase was entirely offset by decreased sales at V&D and Consumer Electronics. Net turnover in Apparel was essentially unchanged.

2002 Compared to 2001

Net turnover decreased by €241 million, or 4.9%, from €4,958 million in Fiscal 2001 to €4,717 million in Fiscal 2002. Net turnover in Fiscal 2001 included €940 million from discontinued activities compared to €360 million in Fiscal 2002. Net turnover from continued activities increased by €339 million, or 8.4%, from €4,018 million in Fiscal 2001 to €4,357 million in Fiscal 2002. It should be noted that Fiscal 2002 had 52 weeks, while Fiscal 2001 had 53 weeks. Net turnover from continued activities increased by 10.2% on a 52-week basis for Fiscal 2001. Of this, 7.7% was attributable to acquisitions, mainly Brico in DIY, which was included in Fiscal 2002 results for approximately ten months. The increase in net turnover from continued activities excluding the effect of acquisitions was primarily the result of increased net turnover in our Apparel, Bijenkorf and DIY business units, which was partially offset by decreased net turnover in V&D. HEMA also showed positive growth in net turnover while Consumer Electronics was essentially unchanged.

Gross Operating Result

Gross operating result represents net turnover minus cost of sales. Our consolidated gross operating result reflects the aggregate gross operating result of each of our business units. However, our business units operate in different markets with varying gross margins (i.e., gross operating result as a percentage of net turnover). Accordingly, our consolidated gross margin represents an aggregate margin which is not necessarily indicative of developments in our individual business units. In addition, in accordance with Dutch GAAP, we are required to allocate certain distribution costs between cost of sales (which impacts our gross operating result) and selling and distribution costs (which does not impact our gross operating result). In certain circumstances, operational changes at our business units can result in a re-classification of expenses between cost of sales and selling and distribution costs, resulting in changes to our gross operating result and gross margin without changing our consolidated operating result. As a result of the foregoing, we believe that it is more informative for investors to focus on the operating results of our business units (which are described by business unit under the caption "—Results of Operations—Segmental" below) rather than on our consolidated gross operating result.

Half Year 2004 Compared to Half Year 2003

Gross operating result increased by €9 million, or 1.2%, from €772 million in Half Year 2003 to €781 million in Half Year 2004. Gross operating result as a percentage of net turnover from continued activities remained essentially unchanged at 36.0% in Half Year 2004. V&D improved its gross operating margin. Gross operating margins at DIY, HEMA, Apparel, Bijenkorf and Consumer Electronics remained essentially unchanged. Gross operating margin of Other decreased significantly, predominantly as a result of increased mark downs at Schaap & Citroen due to two store closures and from lower selling prices at AudioSonic.

2003 Compared to 2002

As a result of the reclassification of certain income and expenses the comparative figure for gross operating result in Fiscal 2002 has been increased by €22 million from €1,652 million to €1,674 million. Previously an income of €18 million (primarily resulting from service certificates and extended guarantee insurance) was accounted for in other operating income, which does not impact gross operating result, but such income was reclassified as gross operating result. In addition certain expenses, which add up to a net amount of €4 million, previously classified under cost of sales and therefore impacting gross operating result, were reclassified to operating expenses, which do not affect gross operating result.

Gross operating result decreased by €67 million, or 4.0%, from €1,674 million in 2002 to €1,607 million in 2003. Gross operating result from continued activities increased by €77 million, or 5.0%, from €1,530 million in 2002 to €1,607 million in 2003. Gross operating result as a percentage of net turnover from continued activities improved from 35.4% in 2002 to 36.1% in 2003. In Fiscal 2003 the gross operating result included €9 million of the €80 million charge we took in connection with V&D's restructuring as described below under "—Results of Operations—Segmental—V&D." The gross operating result in Fiscal 2002 included €25 million of the €48 million one-time charge that we took in connection with V&D's revitalization program as described below under "—Results of Operations—Segmental—V&D." We subsequently withdrew €18 million of this charge in the course of Fiscal 2002 as a result of the improved inventory position at V&D. Excluding the impact of these one-time items, our gross operating result from continued activities increased by 5.1%. Gross margins of Apparel, HEMA, DIY and Bijenkorf improved, while gross margins of Consumer Electronics and V&D were essentially unchanged.

2002 Compared to 2001

Gross operating result decreased by €107 million, or 6.1%, from €1,759 million in Fiscal 2001 to €1,652 million in Fiscal 2002. Gross operating result from continued activities increased by €139 million, or 10.2%, from €1,368 million in Fiscal 2001 to €1,507 million in Fiscal 2002. The gross operating result in Fiscal 2002 included €25 million of the €48 million one-time charge that we took in connection with V&D's revitalization program as described below under "—Results of Operations—Segmental—V&D." We subsequently withdrew €18 million of this charge in the course of Fiscal 2002 as a result of the improved inventory position at V&D. Excluding the impact of this one-time charge and the subsequent withdrawal, our gross operating result from continued activities increased by 10.7%. Gross operating result as a percentage of net turnover from continued activities increased from 34.0% in Fiscal 2001 to 34.6% in Fiscal 2002. HEMA, Apparel, Consumer Electronics and the Dutch DIY business all generated higher gross margins in Fiscal 2002. Partially offsetting these increases were declines in gross margins at Bijenkorf, as a result of increased markdowns reflecting the decline in consumer confidence in the Netherlands in Fiscal 2002, and at V&D, reflecting the revitalization charge mentioned above.

Net Operating Expenses

Net operating expenses consists of items reported in our profit and loss account in the lines captioned "Selling and Distribution Costs," "General Administrative Expenses" and "Other Operating Income."

Selling and Distribution Costs consists of all costs allocable to selling and distribution activities, including the costs of store premises, results on their disposal and results on redevelopment projects. General Administrative Expenses represents the total general management costs of the individual parts of our group, the costs of group management and other expenses not classified as cost of sales or selling and distribution costs. Other Operating Income mainly relates to income in respect of fees based on the sales of concessionaires in our stores and other commission income.

For our internal management control purposes we classify costs between "stores," "distribution" and "head office" rather than Selling and Distribution Costs, General Administrative Expenses and Other Operating Income, which are the classifications required by Dutch GAAP. In certain circumstances, operational changes at our business units can result in a re-classification of expenses between these three line items, without changing our consolidated operating result. Therefore we have chosen to provide a commentary on the three items aggregated, which we call "net operating expenses." While this commentary may be helpful, we believe that it is more informative for investors to focus on the operating results of our business units (which are described by business unit under the caption "—Results of Operations—Segmental" below) rather than on our consolidated "net operating expenses."

Half Year 2004 Compared to Half Year 2003

Net operating expenses increased by €36 million, or 5.0%, from €719 million in Half Year 2003 to €755 million in Half Year 2004. This increase includes €18 million of net operating expenses attributable to the inclusion of the seven Belgian DIY megastores we acquired from Leroy Merlin and Castorama for the entire period in Half Year 2004 compared to the inclusion of the six Leroy Merlin DIY stores for only one month in Half Year 2003. In addition, net operating expenses in Half Year 2004 includes one-time costs related to the Acquisition of €22 million, charges of €3 million that we took in connection with a restructuring plan at Bijenkorf, charges in total of €2 million related to restructuring measures and an impairment of assets at M&S and €2 million of one-time costs related to special projects at the holding company. After adjusting for these items, net operating expenses decreased in Half Year 2004 by 1.5%. This decrease was due to the successful implementation of cost savings measures at V&D partially offset by increased operating expenses at HEMA, Bijenkorf, DIY and Apparel as a result of an increase in retail sales area and higher personnel costs resulting from expansion.

2003 Compared to 2002

As a result of the reclassification of certain income and expenses the comparative figure for net operating expenses in Fiscal 2002 has been increased by €22 million from €1,348 million to €1,370 million. Previously an income of €18 million (primarily resulting from service certificates and extended guarantee insurance) was accounted for in other operating income, but such income was reclassified as gross operating result resulting in increased net operating expenses. In addition certain expenses, which add up to a net amount of €4 million previously classified under cost of sales and therefore not impacting net operating expenses, were reclassified to operating expenses.

Net operating expenses increased by €176 million, or 12.8%, from €1,370 million in Fiscal 2002 to €1,546 million in Fiscal 2003. Net operating expenses in Fiscal 2002 included the book profit of €145 million that we recognized in connection with the Packaged Sale. Net operating expenses from continued activities increased by €154 million, or 11.1%, from €1,388 million in Fiscal 2002 to €1,542 million in Fiscal 2003. This increase includes €45 million of net operating expenses attributable to the inclusion of Brico for the entire period in Fiscal 2003 compared to ten months in Fiscal 2002, the six megastores acquired from Leroy Merlin for seven months in Fiscal 2003 and the one DIY store acquired from Castorama for six months in Fiscal 2003. Net operating expenses in Fiscal 2003 included €71 million of the €80 million one-time charge that we took in connection with V&D's restructuring as described below under "—Results of Operations—Segmental—V&D," a €6 million exceptional release of provisions at V&D, a €5 million aggregate one-time charge, essentially related to the termination of a contract with an insurance company and €5 million of gains on real estate development. Net operating expenses in Fiscal 2002 included €23 million of the €48 million one-time charge that we took in connection with V&D's revitalization program as described below under "—Results of Operations—Segmental—V&D," a one-time gain of €7 million principally from the termination of a contract for the distribution of mobile telephones at Consumer Electronics, a one-time charge of €15 million taken in connection with the restructuring of our central IT operations, including a loss on the disposal of one of our two IT locations, and €11 million of gains on real estate development. After adjusting for these items and for the increase in net operating expenses attributable to the inclusion of Brico for the entire period in Fiscal 2003, the six Leroy Merlin DIY stores acquired for seven months in Fiscal 2003 and the one DIY store acquired from Castorama for six months in Fiscal 2003, the increase in net operating expenses from continued activities in Fiscal 2003 was approximately 4.7%. This increase was due to an increase in retail sales area, increased marketing expenditure at Praxis and HEMA, start up costs of HEMA in Germany and continued expansion of M&S in France.

2002 Compared to 2001

Net operating expenses decreased by €310 million, or 18.7%, from €1,658 million in Fiscal 2001 to €1,348 million in Fiscal 2002. Net operating expenses in Fiscal 2002 included the book profit of €145 million that we recognized in connection with the Packaged Sale. Net operating expenses from continued activities increased by €216 million, or 18.8%, from €1,149 million in Fiscal 2001 to €1,365 million in Fiscal 2002. Of this increase, €90 million is attributable to the acquisition of Brico in Belgium. In addition, net operating expenses in Fiscal 2002 included €23 million of the €48 million one-time charge that we took in connection with V&D's revitalization program as described below under "—Results of Operations—Segmental—V&D," a one-time charge of €15 million taken in connection with the restructuring of our central IT operations, including a loss on the disposal of one of our two IT locations, and the net effect of €3 million of lower gains on real estate development. Excluding the impact of the foregoing items, net operating expenses from continued activities increased approximately 7% in Fiscal 2002. This increase was due to an increase in retail sales area, general inflationary pressures, particularly on personnel and rental costs, start-up costs of HEMA in Germany, amortization of goodwill resulting from the acquisition of Brico, and accelerated expansion of M&S in France, where operating costs are relatively high compared to the other countries where we operate.

Operating Result

Operating result represents the sum of the aggregated segmental operating result for all our business units, minus the amortization of goodwill, the impact of property disposals and adjusted for discontinued activities.

Half Year 2004 Compared to Half Year 2003

Operating result decreased by €27 million, or 50.9%, from €53 million in Half Year 2003 to €26 million in Half Year 2004. Operating result in Half Year 2004 includes a one-time cost for the Acquisition of €22 million in the result of Half Year 2004, charges of €3 million that we took in connection with a restructuring plan at Bijenkorf, €2 million related to restructuring measures and an impairment of assets at M&S, and €2 million of one-time costs related to special projects at the holding company. Excluding these charges, operating result increased by €2 million, or 3.8%, from €53 million in Half Year 2003 to €55 million in Half Year 2004. The increase resulted primarily from the inclusion of the seven Belgian megastores we acquired from Leroy Merlin and Castorama for the entire period in Half Year 2004 compared to the inclusion of the six Leroy Merlin DIY stores for only one month in Half Year 2003. The operating result from V&D, Other, DIY and Consumer Electronics increased, but these increases were offset by a decrease in operating result from Apparel, Bijenkorf and HEMA.

2003 Compared to 2002

Operating result decreased by €243 million, or 79.9%, from €304 million in Fiscal 2002 to €61 million in Fiscal 2003. Operating result in Fiscal 2002 included a contribution of €162 million from discontinued activities (mainly resulting from the gain recognized on the Packaged Sale) compared to a loss of €3 million in Fiscal 2003 (resulting from an expenditure of €7 million for the settlement of pension commitments with a former company of the group partly offset by a gain related to the release of a provision for the FAO Schwarz company which was sold in Fiscal 2002). Operating result from continued activities decreased by €78 million, or 54.9%, from €142 million in Fiscal 2002 to €64 million in Fiscal 2003. Operating result from continued activities in Fiscal 2003 included aggregate charges of €80 million that we took in connection with the restructuring of V&D, a €6 million exceptional release of provisions at V&D and a one-time aggregate charge of €5 million, essentially related to the termination of a contract with an insurance company. Operating result from continued activities in Fiscal 2002 included aggregate charges of €48 million that we took in connection with V&D's revitalization program (€18 million of which we subsequently withdrew in the course of Fiscal 2002 as a result of the improved inventory position at V&D), a one-time gain of €7 million principally from the termination of a contract for the distribution of mobile telephones at Consumer Electronics, and a one-time charge of €15 million taken in connection with the restructuring of our central IT operations, including a loss on the disposal of one of our two IT locations. Excluding these charges and the gain, operating result from continued activities decreased by €37 million, or 20.6%, from €180 million in Fiscal 2002 to €143 million in Fiscal 2003. This decrease resulted primarily from a significant decrease in operating result from V&D and Apparel partially offset by an increase in operating result from DIY and HEMA. Operating result from Bijenkorf and Consumer Electronics (excluding the one-time gain described above) were essentially unchanged.

2002 Compared to 2001

Operating result increased by €203 million, or 201%, from €101 million in Fiscal 2001 to €304 million in Fiscal 2002. Operating result in Fiscal 2002 included a positive contribution of €162 million from discontinued activities (mainly as a result of the gain recognized on the Packaged Sale) compared to an operating loss of €119 million from discontinued activities in Fiscal 2001 (resulting primarily from the loss on the disposal of FAO Schwarz). Operating result from continued activities decreased by €78 million, or 35.5%, from €220 million in Fiscal 2001 to €142 million in Fiscal

2002. Operating result from continued activities in Fiscal 2002 included aggregate charges of €48 million that we took in connection with V&D's revitalization program (€18 million of which we subsequently withdrew in the course of Fiscal 2002 as a result of the improved inventory position at V&D), a one-time gain of €7 million principally from the termination of a contract for the distribution of mobile telephones at Consumer Electronics and a one-time charge of €15 million taken in connection with the restructuring of our central IT operations, including a loss on the disposal of one of our two IT locations. Excluding these charges and the gain, operating result from continued activities decreased by €40 million, or 18.2%, in Fiscal 2002 compared to Fiscal 2001. This decrease primarily resulted from significant decreases in operating result at Bijenkorf and V&D that were partially offset by increases at DIY, HEMA, Apparel and Consumer Electronics.

Financial Income and Expenses

Half Year 2004 Compared to Half Year 2003

Financial expenses increased by €58 million from €22 million in Half Year 2003 to €80 million in Half Year 2004. Financial Expenses included one-time costs of €49 million related to the repayment of financial indebtedness as a result of the Acquisition. Excluding these one-time costs, financial expenses increased by €9 million, or 40.9%, from €22 million in Half Year 2003 to €31 million in Half Year 2004. The increase in expenses primarily resulted from higher average interest rates following the refinancing of November 2003 and higher average debt levels in Half Year 2004 compared to Half Year 2003.

2003 Compared to 2002

Financial expenses remained unchanged at €49 million. Financial expenses in Fiscal 2003 included €1 million of amortization of one-time expenses related to the refinancing of virtually the whole interest-bearing debt and the available short-term credit lines in November 2003. Excluding this one-time expense, interest costs decreased by 2.0% from €49 million in Fiscal 2002 to €48 million in Fiscal 2003. The decrease primarily resulted from the reduction of debt levels following the Packaged Sale partly offset by an increase in indebtedness associated with the acquisition of the seven Belgian megastores from Leroy Merlin and Castorama and higher interest costs during the last two months of Fiscal 2003 following the refinancing in November 2003.

2002 Compared to 2001

Financial expenses decreased by €2 million, or 3.9%, from €51 million for Fiscal 2001 to €49 million in Fiscal 2002. The decrease primarily resulted from the reduction in indebtedness resulting from the Packaged Sale.

Changes in Value

Changes in value consists primarily of gains and losses recognized on disposal of participating interests and unlisted securities and changes in the recorded value of financial fixed assets.

Half Year 2004 Compared to Half Year 2003

There were no changes in value recorded on this line item in Half Year 2004 and in Half Year 2003.

2003 Compared to 2002

There were no changes in value recorded under this line item in Fiscal 2003. In Fiscal 2002, we recorded a loss of €16 million relating to the decrease in value of our participation in a number of Brazilian shopping centers, which were sold in the second half of Fiscal 2002.

2002 Compared to 2001

In Fiscal 2002, we recorded a loss of €16 million relating to the decrease in value of our participation in a number of Brazilian shopping centers, which were subsequently sold. This compared with a gain of €6 million that we recorded in Fiscal 2001, which mainly resulted from the sale of our equity stake in an American sports retailer.

Taxation

The statutory corporate tax rate in the Netherlands was 34.5% for Fiscal 2003, 34.5% for Fiscal 2002 and 35% for Fiscal 2001.

Half Year 2004 Compared to Half Year 2003

We recorded a tax expense in Half Year 2003 of €11 million compared to a €15 million tax income in Half Year 2004. The decrease in taxation primarily resulted from increased financial expenses and the decrease in operating result.

2003 Compared to 2002

Taxation decreased by €31 million from €35 million in Fiscal 2002 to €4 million in Fiscal 2003. The change is illustrated in the following table:

	Fiscal 2002	**Fiscal 2003**
	(€ in million)	
Taxes from continued activities	(30)	(10)
Taxes discontinued activities	(5)	6
Total taxes	**(35)**	**(4)**

2002 Compared to 2001

Taxation increased by €40 million from a tax credit of €5 million in Fiscal 2001 to a tax expense of €35 million in Fiscal 2002. The change is illustrated in the following table:

	Fiscal 2001	**Fiscal 2002**
	(€ in million)	
Taxes from continued activities	(65)	(30)
Taxes discontinued activities	70	(5)
Total taxes	**5**	**(35)**

The tax benefit in Fiscal 2001 on discontinued activities relates almost entirely to the disposal of FAO Schwarz, as described above. The gain on the Packaged Sale was tax exempt under the rules of the Dutch participation exemption for the purpose of corporate income tax. As a result, our effective tax rate was reduced.

Extraordinary Expenses After Tax

There were no extraordinary expenses for Half Year 2004, Fiscal 2003 or Fiscal 2002.

We incurred €48 million of extraordinary expenses after taxes in Fiscal 2001, primarily relating to additional contributions to our main pension fund. During Fiscal 2001, the legal predecessors of the Stichting Pensioenfonds Vendex KBB (the N.V. Koninklijke Bijenkorf Beheer pension fund for 90% of our staff in the Netherlands), Stichting Pensioenfonds Confidentia (the Vendex International N.V. pension fund prior to the merger) and Stichting Pensioenfonds KBB (the KBB pension fund prior to the merger), merged, with retroactive effect from January 1, 2001. In conjunction with this merger of the pension funds, we made an additional contribution in order to achieve financial equality between the two funds when they merged.

Results of Operations—Segmental

In order to present the operating results of each of our business units on a comparable basis, we have adjusted the actual operating results of HEMA, Bijenkorf and V&D, which use the properties owned by the Propcos, by charging them rent on these properties. The rental amount is determined in lease agreements based on negotiations between the relevant business unit and the relevant Propco and is reflected in the results of our Propcos. In addition, we have certain shared service companies that perform services for our business units. The costs of these services are allocated to the business units at negotiated rates while the payment for these services is reflected in "—Results of Operations—Segmental—Other." The discussion of our operating results by segment set forth below is based on the results of each business unit, adjusted as described in this paragraph. Segmental operating result represents the operating profit of each of our business units before goodwill and impact of property disposals.

DIY

	Fiscal			Half Year	
	2001	2002	2003	2003	2004
				(unaudited)	
	(€ in millions, except store data)				
Net turnover old definition	737	1,066	—	—	—
Net turnover new definition	—	1,063	1,220	626	695
Segmental operating result	57	78	82	49	52
Number of stores at period end	204	304	315	311	321
Net sales area at period end (m^2)	600,600	852,475	948,625	926,150	979,900

Net Turnover

Half Year 2004 Compared to Half Year 2003

Net turnover in our DIY business unit increased by €69 million, or 11.0%, from €626 million in Half Year 2003 to €695 million in Half Year 2004. The increase reflected the inclusion of turnover of the seven Belgian megastores we acquired from Leroy Merlin and Castorama for the entire period in Half Year 2004 compared to the inclusion of the six Leroy Merlin DIY stores for only one month in Half Year 2003. Excluding this acquisition, net turnover increased by €13 million, or 2.1%, from €626 million in Half Year 2003 to €639 million in Half Year 2004. The Belgian operations experienced an increase in like-for-like sales and added one new store in Half Year 2004. Net turnover of the Dutch operations slightly decreased in Half Year 2004 as a result of a small decrease in like-for-like sales at Praxis, partly offset by an increase in like-for-like sales at Formido and the opening of one new store.

2003 Compared to 2002

In Fiscal 2003 we changed the principles for recording and presenting turnover. As a result the comparative figure for net turnover of Fiscal 2002 in our DIY business unit has been adjusted from €1,066 million, according to the former definition of recording and presenting turnover, to €1,063 million according to the new definition. Details of this change are described above under "—Results of Operations—Consolidated—Changes to the principles for recording and presenting turnover."

Net turnover in our DIY business unit increased by €157 million, or 14.8%, from €1,063 million in Fiscal 2002 to €1,220 million in Fiscal 2003. The increase reflected the inclusion of turnover from Brico for the entire period in Fiscal 2003 compared to ten months in Fiscal 2002, as well as the inclusion for approximately seven months and six months, respectively, in Fiscal 2003 of the six Belgian megastores we acquired from Leroy Merlin and the one Belgian DIY store we acquired from Castorama. Excluding these acquisitions, net turnover increased by 2.4% in Fiscal 2003. Net turnover of the Dutch operations increased 1.5% as a result of a slight increase in net turnover at Praxis and an increase in net turnover at Formido. In Fiscal 2003, Praxis added four stores and acquired seven stores from franchisees, while Formido closed three stores on a net basis. Brico experienced an increase in like-for-like sales and added three new franchise stores in Fiscal 2003.

2002 Compared to 2001

Net turnover in our DIY business unit increased by €329 million, or 44.6%, from €737 million in Fiscal 2001 to €1,066 million in Fiscal 2002. DIY's increase in net turnover in Fiscal 2002 compared to Fiscal 2001 was 46.6% on a 52-week basis for Fiscal 2001. The increase in net turnover primarily resulted from the acquisition of Brico in Belgium, which was included in results for approximately ten months in Fiscal 2002 and contributed €310 million of net turnover in Fiscal 2002. Net turnover in our Dutch DIY operations increased by €19 million, or 2.6%, from €737 million in Fiscal 2001 to €756 million in Fiscal 2002, equivalent to a 4.0% increase on a 52-week basis for Fiscal 2001. None of this increase is attributable to store openings. In fact, the number of stores declined by one in the Netherlands. Praxis achieved a growth figure that was somewhat higher than the aggregate 4.0% as Formido's net turnover actually declined due to the loss of one store and the high level of sales that we achieved in Fiscal 2001 from promotions organized around Formido's 25th anniversary. The growth in net turnover for the Dutch DIY operations was greater than the overall 3% growth in the do-it-yourself market in the Netherlands. The newly acquired Brico business in Belgium performed well over the same period. Sales for the ten months for which Brico was consolidated in Fiscal 2002, were higher than sales for the same period a year earlier (prior to acquisition by us), partially reflecting the introduction of a successful new store concept and the opening of four new franchise stores.

Segmental Operating Result

Half Year 2004 Compared to Half Year 2003

Segmental operating result in our DIY business unit increased by €3 million, or 6.1%, from €49 million in Half Year 2003 to €52 million in Half Year 2004. Excluding the effect of the inclusion of the seven Belgian megastores we acquired from Leroy Merlin and Castorama for the entire Half Year 2004 compared to the inclusion of the six megastores we acquired from Leroy Merlin for approximately one month in Half Year 2003, the segmental operating result increased by €1 million. The increase in segmental operating result was due to increased gross operating result principally from net turnover growth in Belgium, partly offset by increased net operating expenses due to expansion of our store base. Gross operating margin slightly increased.

2003 Compared to 2002

Segmental operating result in our DIY business unit increased by €4 million, or 5.1%, from €78 million in Fiscal 2002 to €82 million in Fiscal 2003. Excluding the effects of the acquisition of Brico for the entire period in Fiscal 2003 compared to ten months in Fiscal 2002, the effect of the six Belgian megastores we acquired from Leroy Merlin for seven months in Fiscal 2003 and the effect of the Belgian DIY store we acquired from Castorama for six months in Fiscal 2003, the segmental operating result increase was €3 million. The significant increase in the segmental operating result of Brico in Fiscal 2003 was partially offset by the slightly lower segmental operating result of our Dutch DIY operations in Fiscal 2003 due to increased competitive pressure in the Dutch do-it-yourself market as demonstrated by the relatively high number of price promotions.

2002 Compared to 2001

Segmental operating result in our DIY business unit increased by €21 million, or 36.8%, from €57 million in Fiscal 2001 to €78 million in Fiscal 2002. Of this increase, €14 million is attributable to the inclusion of Brico for ten months of Fiscal 2002. Our Dutch DIY operations showed an increase in segmental operating result of €7 million, or 12.3%, from €57 million in Fiscal 2001 to €64 million in Fiscal 2002. Although our gross margin increased, the impact of this on our segmental operating result was partially offset by an increase in operating expenses that was proportionally greater than our sales in Fiscal 2002 due to inflationary pressures. Brico had a good year (prior to the acquisition by us) with segmental operating result growing significantly from the prior year.

HEMA

	Fiscal			Half Year	
	2001	2002	2003	2003	2004
				(unaudited)	
	(€ in millions, except store data)				
Net turnover old definition	924	933	—	—	—
Net turnover new definition	—	911	918	426	430
Segmental operating result	32	37	39	8	7
Number of stores at period end	279	289	305	296	313
Net sales area at period end (m^2)	286,950	294,050	301,425	298,325	305,800

Net Turnover

Half Year 2004 Compared to Half Year 2003

Net turnover in our HEMA business unit increased by €4 million, or 0.9%, from €426 million in Half Year 2003 to €430 million in Half Year 2004. The increase in net turnover was entirely attributable to expansion of our store base. In Half Year 2004, we opened five stores in Belgium and three in the Netherlands. Excluding this expansion, the net turnover decreased slightly as a result of lower like-for-like sales in the Netherlands, partly offset by an increase in like-for-like sales in Belgium.

2003 Compared to 2002

In Fiscal 2003 we changed the principles for recording and presenting turnover. As a result the comparative figure for net turnover of Fiscal 2002 in our HEMA business unit has been adjusted from €933 million, according to the former definition of recording and presenting turnover, to €911 million, according to the new definition. Details of this change are described above under "—Results of Operations—Consolidated—Changes to the principles for recording and presenting turnover."

Net turnover in our HEMA business unit increased by €7 million, or 0.8%, from €911 million in Fiscal 2002 to €918 million in Fiscal 2003. Excluding the effects of store expansion, net turnover decreased by 0.7%. In Fiscal 2003 we opened six directly operated and two franchise stores in the Netherlands, seven stores in Belgium and one pilot store in Germany. HEMA's turnover in Germany in Fiscal 2003 was below expectations. This was caused by insufficient recognition of HEMA's brand name as well as its product assortment.

2002 Compared to 2001

Net turnover in our HEMA business unit increased by €9 million, or 1.0%, from €924 million in Fiscal 2001 to €933 million in Fiscal 2002. HEMA's increase in net turnover in Fiscal 2002 compared to

Fiscal 2001 was 2.9% on a 52-week basis for Fiscal 2001. Less than one-third of this increase related to expansion of our store base. In Fiscal 2002, we opened five small stores in the Netherlands, three stores in Belgium and two pilot stores in Germany. There was a substantial increase in like-for-like sales in Belgium. Increases in like-for-like sales were generated by increases in most of HEMA's product groups, with women's apparel, baby clothing, socks, and underwear particularly driving the increase. Sales in the first three quarters of Fiscal 2002 were higher than in the same period in Fiscal 2001, but the fourth quarter of Fiscal 2002 showed a small decline in turnover compared to the fourth quarter of Fiscal 2001 when sales were boosted by promotional activities relating to HEMA's 75th anniversary and its role in the distribution of euro kits.

Segmental Operating Result

Half Year 2004 Compared to Half Year 2003

Segmental operating result in our HEMA business unit decreased by €1 million from €8 million in Half Year 2003 to €7 million in Half Year 2004. The gross operating result decreased due to lower like-for-like sales, which was partially compensated by a reduction in net operating expenses. Our gross margin remained stable.

2003 Compared to 2002

Segmental operating result in our HEMA business unit increased by €2 million, or 5.4%, from €37 million in Fiscal 2002 to €39 million in Fiscal 2003. The segmental operating result of HEMA was negatively impacted by start-up losses in Germany in Fiscal 2003; excluding these start-up losses the segmental operating result of HEMA increased by approximately 14%. Improvements in gross margin and logistic efficiency, combined with tight cost management, led to this increase in segmental operating result.

2002 Compared to 2001

Segmental operating result in our HEMA business unit increased by €5 million, or 15.6%, from €32 million in Fiscal 2001 to €37 million in Fiscal 2002. The increase, which was proportionally greater than the percentage increase in net turnover, reflected improvements in gross margin resulting from a reduction in markdowns. The effect of these improvements more than compensated for general inflationary pressures on operating expenses in Fiscal 2002.

Apparel

	Fiscal			Half Year	
	2001	2002	2003	2003	2004
				(unaudited)	
	(€ in millions, except store data)				
Apparel					
Net turnover old definition	424	455	—	—	—
Net turnover new definition	—	456	457	240	232
Segmental operating result	44	46	35	30	16
Number of stores at period end	640	668	721	693	735
Net sales area at period (m^2)	108,950	112,650	120,700	116,350	122,725
Number of stores by format:					
M&S Mode					
The Netherlands	128	128	131	127	133
Belgium/Luxembourg	62	62	63	62	65
Germany	79	82	77	81	76
France	93	111	138	123	139
Spain	—	2	8	4	9
Total	**362**	**385**	**417**	**397**	**422**
Hunkemöller					
The Netherlands	120	121	128	126	128
Belgium/Luxembourg	66	67	65	66	67
Germany	52	54	54	54	57
Denmark	10	10	18	17	19
France	4	4	11	6	14
Total	**252**	**256**	**276**	**269**	**285**
Claudia Sträter					
The Netherlands	17	18	18	18	18
Belgium/Luxembourg	9	9	9	9	9
Germany	—	—	1	—	1
Total	**26**	**27**	**28**	**27**	**28**

Net Turnover

Half Year 2004 Compared to Half Year 2003

Net turnover in our Apparel business unit decreased by €8 million, or 3.3%, from €240 million in Half Year 2003 to €232 million in Half Year 2004.

In all countries average prices at M&S have been adjusted downwards without any offset by growth in the number of items sold which resulted in a significant decrease in like-for-like sales. On the back of the negative turnover development the pace of expansion has been slowed down. Only 14 new stores were opened in Half Year 2004 compared to 25 store openings in Half Year 2003.

Hunkemöller continued its expansion in Half Year 2004 with nine store openings and also experienced a strong increase in like-for-like sales, especially in Denmark and Germany.

Claudia Sträter recorded an increase of like-for-like sales despite the overall difficult market conditions in the Benelux. In Germany, the pilot store of Claudia Sträter is performing satisfactorily and we may therefore consider further expansion in this country.

2003 Compared to 2002

In Fiscal 2003 we changed the principles for recording and presenting turnover. As a result the comparative figure for net turnover for Fiscal 2002 in our Apparel business unit has been adjusted from €455 million, according to the former definition of recording and presenting turnover, to €456 million, according to the new definition. Details of this change are described above under "—Results of Operations—Consolidated—Changes to the principles for recording and presenting turnover."

Net turnover in our Apparel business unit increased by €1 million, or 0.2%, from €456 million in Fiscal 2002 to €457 million in Fiscal 2003. In the first half year of Fiscal 2003 development in turnover was positive with increases in net turnover of 7.8% and approximately 5.0% during the first and second quarter, respectively. Net turnover in the third and fourth quarter of Fiscal 2003 decreased by 6.1% and 5.2%, respectively. While Hunkemöller and Claudia Sträter were able to show some recovery in the fourth quarter from a weak third quarter, turnover at M&S continued to suffer. Compared to Fiscal 2002, M&S and Claudia Sträter had a lower net turnover, while Hunkemöller increased net turnover, in Fiscal 2003. The disappointing turnover developments were the result of difficult trading conditions in the European apparel sector. During the second half of Fiscal 2003 consumer spending in this sector was under significant pressure, especially in the Netherlands. M&S continued its rapid expansion in Fiscal 2003, with 27 store openings in France and six store openings in Spain, while Hunkemöller significantly expanded in Denmark with eight store openings and in France with seven store openings.

2002 Compared to 2001

Net turnover in our Apparel business unit increased by €31 million, or 7.3%, from €424 million in Fiscal 2001 to €455 million in Fiscal 2002. Apparel's increase in net turnover in Fiscal 2002 compared to Fiscal 2001 was 9.4% on a 52-week basis for Fiscal 2001. All three units showed positive like-for-like sales increases on top of the expanded store bases. Hunkemöller in particular experienced a high level of growth, with significant like-for-like sales increases in all of the countries in which it operates in addition to the opening of four new stores. M&S continued to increase its store base in France, adding 18 stores in Fiscal 2002, in addition to opening three stores in Germany and two pilot stores in Spain. Claudia Sträter opened one new store in the Netherlands in Fiscal 2002.

Segmental Operating Result

Half Year 2004 Compared to Half Year 2003

Segmental operating result in our Apparel business unit decreased by €14 million, or 46.7%, from €30 million in Half Year 2003 to €16 million in Half Year 2004. Segmental operating result of M&S in Half Year 2004 included one-time charges of €2 million related to restructuring measures and an impairment of fixed assets. Excluding these one-time costs, the segmental operating result in our Apparel business unit decreased by €12 million, or 40.0%, from €30 million in Half Year 2003 to €18 million in Half Year 2004. This significant decrease resulted entirely from negative developments at M&S, including a decline in like-for-like sales growth, a decrease in gross operating margins and an increase in net operating expenses. Hunkemöller realized an improvement in its segmental operating result based on growth in net turnover and an improvement in gross operating margin. The segmental operating result of Claudia Sträter was essentially unchanged.

2003 Compared to 2002

Segmental operating result in our Apparel business unit decreased by €11 million, or 23.9%, from €46 million in Fiscal 2002 to €35 million in Fiscal 2003. This significant decrease is almost entirely attributable to M&S, which after a significant improvement in the first half, showed a strong decrease in its segmental operating result in the second half of Fiscal 2003. Due to early clearance of the winter collection, margins and segmental operating result decreased in the second half of Fiscal 2003, more than offsetting the improvement in segmental operating result in the first half of the year. As a consequence, the segmental operating result of M&S in Fiscal 2003 was significantly lower than the segmental operating result in Fiscal 2002. Hunkemöller's segmental operating result in Fiscal 2003 decreased slightly as higher turnover and a higher gross margin were offset by higher operating expenses principally due to increased retail sales area. Claudia Sträter's segmental operating result in Fiscal 2003 was down due to a decline in gross operating result following a decrease in net turnover and increased net operating expenses, principally due to increased retail sales area.

2002 Compared to 2001

Segmental operating result in our Apparel business unit increased by €2 million, or 4.5%, from €44 million in Fiscal 2001 to €46 million in Fiscal 2002. Hunkemöller showed a strong rebound in its gross operating result in Fiscal 2002, with its gross margin more than fully recovering from the prior year decline. Claudia Sträter continued to experience growth in its profitability, with gross margin reaching an all-time high. M&S had a disappointing year in Fiscal 2002, which was attributable to difficulties in the first half of Fiscal 2002, when poor weather conditions contributed to slow sales in early spring, requiring significant mark downs in the late summer in order to clear merchandise. The results of M&S were also negatively impacted by difficult trading conditions in Germany.

Bijenkorf

	Fiscal			Half Year	
	2001	2002	2003	2003	2004
				(unaudited)	
	(€ in millions, except store data)				
Net turnover old definition	406	420	—	—	—
Net turnover new definition	—	389	399	167	170
Segmental operating result	17	2	2	(8)	(13)
Number of stores at period end	10	11	13	11	13
Net sales area at period end (m^2)	93,650	99,675	107,725	99,675	110,225

Net Turnover

Half Year 2004 Compared to Half Year 2003

Net turnover in our Bijenkorf business unit increased by €3 million, or 1.8%, from €167 million in Half Year 2003 to €170 million in Half Year 2004. The increase in net turnover reflected expansion resulting from the 2003 openings of the Maastricht store and the outlet store, offset by a decrease in like-for-like sales due to store refurbishments in Amsterdam and Rotterdam as well as by the generally weak economic conditions in non-food retail in the Netherlands during Half Year 2004.

2003 Compared to 2002

In Fiscal 2003 we changed the principles for recording and presenting turnover. As a result the comparative figure for net turnover of Fiscal 2002 in our Bijenkorf business unit has been adjusted from €420 million, according to the former definition of recording and presenting turnover, to €389 million, according to the new definition. Details of this change are described above under

"—Results of Operations—Consolidated—Changes to the principles for recording and presenting turnover."

Net turnover in our Bijenkorf business unit increased by €10 million, or 2.6%, from €389 million in Fiscal 2002 to €399 million in Fiscal 2003. Net turnover in Fiscal 2003 was negatively influenced by the disappointing sale of Christmas gifts by Bijenkorf Business Cadeau. Excluding this effect, net turnover increased by 3.7%. This increase in net turnover was generated entirely from expansion (a medium store in Enschede opened in September 2002, an outlet store in Lelystad was opened in May 2003, and a new store in Maastricht opened in August 2003). Excluding expansion, net turnover was slightly lower.

2002 Compared to 2001

Net turnover in our Bijenkorf business unit increased by €14 million, or 3.4%, from €406 million in Fiscal 2001 to €420 million in Fiscal 2002. Bijenkorf's increase in net turnover in Fiscal 2002 compared to Fiscal 2001 was 4.8% on a 52-week basis for Fiscal 2001. The increase in net turnover was generated almost entirely from the increased number of stores in Fiscal 2002 (three stores opened in September 2001 and a medium store opened in Enschede in September 2002). The economic downturn in the Netherlands became more pronounced as Fiscal 2002 progressed. As a department store format that is positioned in the upper and luxury segment of the market, and which generates approximately 80% of its net turnover from international brands, Bijenkorf suffered disproportionately from the sharp decline in consumer confidence in Fiscal 2002 and sales could only be maintained by launching marketing and price cutting campaigns at an early stage.

Segmental Operating Result

Half Year 2004 Compared to Half Year 2003

Segmental operating result in our Bijenkorf business unit decreased by €5 million, or 62.5%, from a loss of €8 million in Half Year 2003 to a loss of €13 million in Half Year 2004. Segmental operating result in Half Year 2004 included a restructuring charge of €3 million related to a cost savings program. Excluding this restructuring charge, segmental operating result decreased by €2 million, or 25.0%, from a loss of €8 million in Half Year 2003 to a loss of €10 million in Half Year 2004. As a result of seasonal patterns, Bijenkorf's segmental operating result is typically a loss during the first half of the year. The decrease in segmental operating result was entirely attributable to increased net operating expenses due to expansion, only partially offset by increased gross operating result from increased turnover.

2003 Compared to 2002

Segmental operating result in our Bijenkorf business unit was essentially unchanged at €2 million in Fiscal 2003 and Fiscal 2002. The segmental operating result in Fiscal 2003 was negatively influenced by poor sales of Christmas gifts by Bijenkorf Business Cadeau but was positively influenced by cost saving measures implemented in both the head office and the stores. In addition, the gross margin improved in Fiscal 2003.

2002 Compared to 2001

Segmental operating result in our Bijenkorf business unit decreased by €15 million, or 88.2%, from €17 million in Fiscal 2001 to €2 million in Fiscal 2002. Segmental operating result as a percentage of net turnover declined from 4.2% in Fiscal 2001 to 0.5% in Fiscal 2002. Part of this decline was due to reduced margins in Fiscal 2002 resulting from increased markdowns and price promotions. The remainder was caused by a decrease in net turnover that was only partially offset by decreased operating expenses. Furthermore, Fiscal 2002 was only 52 weeks long compared to Fiscal 2001, which was 53 weeks.

V&D

	Fiscal			Half Year	
	2001	2002	2003	2003	2004
				(unaudited)	
	(€ in millions, except store data)				
Net turnover old definition	890	856	—	—	—
Net turnover new definition	—	855	812	382	330
Segmental operating result(1)	12	(59)	(119)	(35)	(24)
Number of stores at period end:					
Stores	69	70	72	70	60
Stand-alone restaurants	16	16	15	15	16
Net sales area at period end (m^2)(2)	351,275	354,300	355,600	351,650	328,100

(1) Includes the €48 million and the subsequent €18 million withdrawal therefrom and the €80 million restructuring charges in Fiscal 2002 and 2003 respectively.

(2) Includes stand-alone La Place restaurants.

Net Turnover

Half Year 2004 Compared to Half Year 2003

Net turnover in our V&D business unit decreased by €52 million, or 13.6%, from €382 million in Half Year 2003 to €330 million in Half Year 2004. We closed five stores at the beginning of Half Year 2004 as part of our restructuring plan. Excluding these store closures, net turnover still declined significantly. Net turnover evolution in the second quarter of Half Year 2004 was slightly better than in the first quarter, but like-for-like growth remained negative. Most non-food product groups contributed to the negative sales trend. The food and restaurant business of V&D remains strong and was the best performing product category.

2003 Compared to 2002

In Fiscal 2003 we changed the principles for recording and presenting turnover. As a result the comparative figure for net turnover of Fiscal 2002 in our V&D business unit has been adjusted from €856 million, according to the former definition of recording and presenting turnover, to €855 million according to the new definition of recording and presenting turnover. Details of this change are described above under "—Results of Operations—Consolidated—Changes to the principles for recording and presenting turnover."

Net turnover in our V&D business unit decreased by €43 million, or 5.0%, from €855 million in Fiscal 2002 to €812 million in Fiscal 2003. The decline in turnover started in April of Fiscal 2003 after a successful "Price Circus" (which is an important promotional event for V&D). The revitalization measures we adopted in Fiscal 2002 delivered insufficient results to stem the downward trend experienced in earlier years. This trend was aggravated by the general slowdown of consumer expenditure in non-food retail in the Netherlands compounded by lower sales in July as a result of exceptionally hot weather conditions. In response to these negative results, we decided to change management in July of Fiscal 2003. The new management team has worked on a comprehensive package of measures designed to improve V&D's results as described below under "Business—Our V&D Operations—The V&D Restructuring." As a result, management's attention in the second half year was primarily focused on the implementation of these far reaching measures to reduce costs.

2002 Compared to 2001

Net turnover in our V&D business unit decreased by €34 million, or 3.8%, from €890 million in Fiscal 2001 to €856 million in Fiscal 2002. V&D's decrease in net turnover in Fiscal 2002 compared to Fiscal 2001 was 2.0% on a 52-week basis for Fiscal 2001, despite the opening of one small store in the first quarter of Fiscal 2002. The decrease in net turnover was the result of a failure to sufficiently address the unit's competitive weaknesses and was exacerbated by decreasing consumer confidence in the Netherlands in Fiscal 2002. Net turnover declines were particularly notable in hard good categories such as CDs, stationery and cosmetics.

In response to the negative sales developments during Fiscal 2001 and disappointing sales in the first quarter of Fiscal 2002, we decided in April 2002 to launch a revitalization program. Core elements of this program were a radical clearing out of old merchandise, which resulted in substantial markdowns over the course of Fiscal 2002, a number of smaller scale cost saving initiatives, the launch of an effort to make the merchandise mix more attractive (the effect of which was planned to be visible in the stores commencing in the spring of 2003) and a number of initiatives to make our stores more attractive. We also relaunched the Enschede and Maastricht stores with a modernized store design.

Segmental Operating Result

Half Year 2004 Compared to Half Year 2003

Segmental operating result in our V&D business unit improved by €11 million from an operating loss of €35 million in Half Year 2003 to an operating loss of €24 million in Half Year 2004, reflecting the success of the cost savings measures implemented under the V&D restructuring program. See "Business—Our V&D Operations—The V&D Restructuring." In Half Year 2004 net operating expenses were €26 million lower and gross margin was higher than in Half Year 2003, which was partly offset by a decrease in gross operating result due to the negative turnover trend.

2003 Compared to 2002

Segmental operating result in our V&D business unit declined by €60 million from an operating loss of €59 million in Fiscal 2002 to an operating loss of €119 million in Fiscal 2003. Fiscal 2003 included a restructuring charge of €80 million related to the comprehensive package of measures designed to improve V&D's performance. The most important measures of the restructuring plan include cost savings, from, inter alia, a reduction of personnel by 1,800 FTE's, the closure of 12 smaller stores, the implementation of a new business control model, a reduction of capital expenditures, a buying stop, and reduction of the number of suppliers in order to enhance buying power. The restructuring charge of €80 million consisted of €60 million related to redundancies, €8 million related to the write-down of fixed assets and €12 million related to other store closure costs (such as rental liabilities and the restoration of stores to their original state). V&D's segmental operating result in Fiscal 2002 included a one-time charge of €48 million relating to the revitalization program. Out of this charge, €25 million related to the write-off of inventories, of which €18 million was subsequently withdrawn in Fiscal 2002 as a result of the improved inventory position. Excluding these one-time items in both Fiscal 2003 and Fiscal 2002, segmental operating result at V&D declined by 34.5% to a loss of €39 million in Fiscal 2003. The negative turnover trend led to a decreased gross operating result. Although V&D made good progress in reducing net operating expenses as part of the restructuring program, it was insufficient to compensate for the decline in gross operating result.

2002 Compared to 2001

Segmental operating result in our V&D business unit decreased by €71 million from a positive contribution of €12 million in Fiscal 2001 to a loss of €59 million in Fiscal 2002. The segmental operating result in Fiscal 2002 was impacted by a one-time charge of €48 million relating to the revitalization program. The revitalization charge consisted of €25 million relating to the write-off of inventories, €18 million relating to restructuring charges (principally headcount reductions at the V&D head office) and €5 million for additional marketing efforts relating to inventory clearance activities. The €25 million charge relating to inventories resulted from the implementation of stricter obsolescence rules for merchandise that is not sold in-season. Full scale implementation of the clearance started in April 2002 and lasted until January 2003 and resulted in a 20% decline in V&D's inventory position as well as a significantly improved age profile of year end inventories. Out of this €25 million charge relating to inventories, €18 million was subsequently withdrawn in the course of Fiscal 2002 as a result of the improved inventory position. The unreleased €7 million is not expected to be released in future periods.

Excluding the one-time items, the decline in segmental operating result of €23 million, from €12 million of operating profit in Fiscal 2001 to an operating loss of €11 million in Fiscal 2002, resulted from the decline in turnover described above, inflationary pressures on operating expenses and a decline in gross margin reflecting the need to take heavy markdowns to clear old merchandise.

Consumer Electronics

	Fiscal			Half Year	
	2001	**2002**	**2003**	**2003**	**2004**
				(unaudited)	
	(€ in millions, except store data)				
Net turnover old definition	590	589	—	—	—
Net turnover new definition	—	615	603	279	288
Segmental operating result	14	25	17	1	3
Number of stores at period end	308	304	314	307	317
Net sales area at period end (m^2)	113,375	112,700	110,750	113,275	111,650
Number of stores at period end by format:					
Dixons	129	134	140	136	142
Dynabyte	31	34	37	36	38
It's	71	74	75	74	72
Modern Electronics	73	56	54	53	53
Prijstopper(1)	4	6	8	8	12

(1) For the purposes of the discussion below, Prijstopper is included in the discussion of Modern Electronics.

Net Turnover

Half Year 2004 Compared to Half Year 2003

Net turnover in our Consumer Electronics business unit increased by €9 million, or 3.2%, from €279 million in Half Year 2003 to €288 million in Half Year 2004. Both It's and Modern Electronics achieved increases in like-for-like sales despite the fact that they were operating in a very difficult market environment in Half Year 2004. Both Dixons and Dynabyte recorded a decrease in like-for-like sales, partly offset by growth from store additions (in total three new stores opened in Half Year 2004). Some product categories, like digital audio and telecom, showed growth, while, in particular, PC hardware turnover declined.

2003 Compared to 2002

In Fiscal 2003 we changed the principles for recording and presenting turnover. As a result the comparative figure for net turnover of Fiscal 2002 in our Consumer Electronics business unit has been adjusted from €589 million, according to the former definition of recording and presenting turnover, to €615 million, according to the new definition of recording and presenting turnover. Details of this change are described above under "—Results of Operations—Consolidated—Changes to the principles for recording and presenting turnover."

Net turnover in our Consumer Electronics business unit decreased by €12 million, or 2.0%, from €615 million in Fiscal 2002 to €603 million in Fiscal 2003. Both Dixons and Dynabyte expanded their store base, with six new stores opened by Dixons and three new stores opened by Dynabyte in Fiscal 2003. Dynabyte increased its like-for-like sales. Dixons benefited from strong growth in digital photography and computer games, while Dynabyte benefited from increased demand for laptop computers. It's and Modern Electronics both recorded a significant decline in like-for-like sales. These two businesses were operating in a very difficult market environment with increasing competitive pressure in Fiscal 2003. The market decline reflects a consumer trend of trading down into lower priced models. Due to the difficult market environment, the expansion of It's and Modern Electronics was limited. It's opened only one store, while the store portfolio of Modern Electronics was further reduced by two stores. Prijstopper increased the number of stores by two.

2002 Compared to 2001

Net turnover in our Consumer Electronics business unit was essentially unchanged at €590 million in Fiscal 2001 compared to €589 million in Fiscal 2002. However, net turnover in Consumer Electronics in Fiscal 2002 compared to Fiscal 2001 increased by 1.7% on a 52-week basis for Fiscal 2001. As Fiscal 2002 progressed the effect of the economic downturn in the Netherlands was increasingly apparent at all of Consumer Electronics' formats. However, Dixons achieved a small increase in like-for-like sales in addition to opening five new stores in Fiscal 2002. In particular, sales of computers at Dixons increased in Fiscal 2002 after the Dutch consumer association designated Dixons' own brand computer as a "best buy." Dynabyte opened three new stores in Fiscal 2002 but its net turnover was flat on a like-for-like basis. Although Modern Electronics started Fiscal 2002 with severely depressed like-for-like sales in the first quarter due to problems resulting from the integration of back office operations with It's, sales rebounded sharply later in the year. Modern Electronics' like-for-like sales increased substantially in the second half of Fiscal 2002 compared to the same period in Fiscal 2001 following our restructuring of the format. The increase in Modern Electronics' like-for-like sales was partially offset by the closure of 17 smaller stores in Fiscal 2002. It's experienced a small decrease in like-for-like sales, which was partially offset by the opening of three new stores.

Segmental Operating Result

Half Year 2004 Compared to Half Year 2003

Segmental operating result in our Consumer Electronics business unit increased by €2 million from €1 million in Half Year 2003 to €3 million in Half Year 2004. The increase in segmental operating result in Half Year 2004 is entirely attributable to the increase in gross operating result from turnover growth and decreased net operating expenses at It's and Modern Electronics. The segmental operating result of Dixons and Dynabyte was essentially unchanged.

2003 Compared to 2002

Segmental operating result in our Consumer Electronics business unit decreased by €8 million, or 32.0%, from €25 million in Fiscal 2002 to €17 million in Fiscal 2003. Fiscal 2002 included a one-time net gain of €7 million resulting from the termination of a contract for the distribution of mobile telephones and the balance of income and expenditure connected with the restructuring of Modern Electronics. Excluding this net gain, segmental operating result decreased by 5.6% from €18 million in Fiscal 2002 to €17 million in Fiscal 2003. Excluding the above-mentioned net gain, the segmental operating result of Dixons and Dynabyte together remained essentially unchanged in Fiscal 2003. Modern Electronics realized an improvement of the segmental operating result in Fiscal 2003 as a result of the restructuring measures implemented in Fiscal 2002. The segmental operating result of It's decreased significantly following the decline in net turnover as described above.

2002 Compared to 2001

Segmental operating result in our Consumer Electronics business unit increased by €11 million, or 78.6%, from €14 million in Fiscal 2001 to €25 million in Fiscal 2002. Fiscal 2002 included a one-time net gain of €7 million resulting from the termination of a contract for the distribution of mobile telephones and the balance of income and expenditure connected with the restructuring of Modern Electronics. Excluding this gain, segmental operating result increased by €4 million, or 28.6%, in Fiscal 2002. This increase primarily resulted from an improvement in gross margin at Modern Electronics and It's reflecting the benefit of the integration of the back offices of these two format that we commenced in late Fiscal 2001.

Other

Other activities primarily consist of Schaap & Citroen, an up-market jewellery format, and AudioSonic, a wholesaler consumer electronics trading company aimed at the low price segment of the market. Other activities also include two internal shared service companies, Vendex KBB IT Services, our internal IT company (which only reports operating result), and Vendex KBB Cards and Financial Services, which is a unit we formed in Fiscal 2002, which distributes financial products (including store credit cards). These internal shared service companies charge our business units for their services on a negotiated basis.

Holding costs consist primarily of the costs incurred in our corporate head office, excluding expenses incurred in relation to a number of centralized services, such as real estate services relating to our leased stores, insurance and foreign exchange management, which are charged to the operating companies and, as such, are directly included in their segmental operating results.

	Fiscal			**Half Year**	
	2001	**2002**	**2003**	**2003**	**2004**
				(unaudited)	
	(€ in millions, except store data)				
Net turnover old definition	47	38	—	—	—
Net turnover new definition	—	38	42	17	24
Segmental operating result:					
Segmental operating result from other activities	1	(9)	(1)	(2)	2
Holding costs	(8)	(22)	(18)	(6)	(29)
Total segmental operating result	**(7)**	**(31)**	**(19)**	**(8)**	**(27)**

Net Turnover

Half Year 2004 Compared to Half Year 2003

Net turnover from other activities increased by €7 million, or 41.2%, from €17 million in Half Year 2003 to €24 million in Half Year 2004. The increase resulted primarily from increased net turnover at AudioSonic. Net turnover at Schaap & Citroen increased significantly as a result of sales promotions in two stores which are to be closed. Excluding the effect of these sales promotions net turnover increased only slightly.

2003 Compared to 2002

Net turnover from other activities increased by €4 million, or 10.5%, from €38 million in Fiscal 2002 to €42 million in Fiscal 2003. The increase resulted from increased net turnover at AudioSonic as increasingly poor macro economic conditions increased demand for keenly priced alternatives to premium branded audio and video equipment. Net turnover at Schaap & Citroen declined in Fiscal 2003 as a result of depressed market conditions and the collapse of international tourism, which especially affected our two Schaap & Citroen stores in Amsterdam.

2002 Compared to 2001

Net turnover from other activities declined by €9 million, or 19.1%, from €47 million in Fiscal 2001 to €38 million in Fiscal 2002. The decline resulted primarily from significantly reduced net turnover at Schaap & Citroen reflecting declining consumer confidence in the Netherlands. Net turnover at AudioSonic also declined as it continued to focus only on profitable business.

Segmental Operating Result

Half Year 2004 Compared to Half Year 2003

Segmental operating result from other activities increased by €4 million from an operating loss of €2 million in Half Year 2003 to an operating profit of €2 million in Half Year 2004. AudioSonic's segmental operating result increased significantly in Half Year 2004 as a result of increased sales, partly offset by a lower gross margin resulting from lower selling prices. Despite a lower gross operating margin resulting from increased mark downs in the two stores to be closed, Schaap & Citroen managed to reduce the operating loss through increased net turnover and tight cost control. The contribution to segmental operating result of Vendex KBB IT Services increased significantly as a result of tight cost control and increased productivity. As a start up business Vendex KBB Cards and Financial Services recorded an increased loss resulting primarily from lagging sales.

Half Year 2004 Compared to Half Year 2003 Holding Costs

Holding costs increased by €23 million from €6 million in Half Year 2003 to €29 million in Half Year 2004. Holding costs in Half Year 2004 included one-time costs of €22 million, consisting of costs related to management stock options and merger and acquisition advisory costs, which related to the Acquisition and one-time costs of €2 million related to special projects. Excluding these one-time costs, holding costs decreased by €1 million.

2003 Compared to 2002

Segmental operating result from other activities improved from an operating loss of €9 million in Fiscal 2002 to an operating loss of €1 million in Fiscal 2003. Schaap & Citroen recorded an increased operating loss due to depressed sales in Fiscal 2003. AudioSonic's segmental operating result more than doubled compared to the segmental operating result of Fiscal 2002 as a result of increased sales. Vendex KBB IT Services recorded a break-even segmental operating result in Fiscal 2003 compared to a loss in Fiscal 2002 as a result of both the restructuring that occurred in Fiscal 2002 and increased services demand from group companies. Vendex KBB Cards and Financial Services recorded an increased loss resulting primarily from the inclusion of 100% of "Vendopolis," an insurance agent that operates in V&D stores and which had previously been operated and accounted for as a joint venture between an insurance company and Vendex KBB.

Holding costs decreased by €4 million, from €22 million in Fiscal 2002 to €18 million in Fiscal 2003. Holding costs in Fiscal 2003 included a one-time aggregate charge of €5 million essentially related to the termination of a contract with an insurance company. Holding costs in Fiscal 2002 included a one-time charge of €15 million taken in connection with the restructuring of our central IT operations, including a loss on the disposal of our Sittard IT location. Excluding these one-time charges, holding costs increased by €6 million, from €7 million in Fiscal 2002 to €13 million in Fiscal 2003.

2002 Compared to 2001

Segmental operating result from other activities declined by €10 million from an operating profit of €1 million in Fiscal 2001 to an operating loss of €9 million in Fiscal 2002. Schaap & Citroen recorded an operating loss in Fiscal 2002 compared to a small contribution to segmental operating result in Fiscal 2001 as a result of the decline in net turnover. AudioSonic recorded a reduced segmental operating result compared to its relatively high level in fiscal 2001. The loss at Vendex KBB IT Services increased in Fiscal 2002 compared to Fiscal 2001. Having completed the conversion to the euro, all group operating companies reduced IT expenditure in Fiscal 2002, leading to surplus capacity. In addition, the management, appointed in the second half of Fiscal 2001, carried out a cost saving exercise, which led to a number of charges taken in Fiscal 2002. Vendex KBB Cards and Financial Services reported a small loss as a result of start up costs.

Holding costs in Fiscal 2002 were significantly higher than in Fiscal 2001 but included a one-time charge of €15 million taken in connection with the restructuring of our central IT operations, including a loss on the disposal of our Sittard IT location. Excluding this one-time charge, holding costs decreased slightly.

Liquidity and Capital Resources

The following table sets forth the total adjusted EBITDA for Vendex KBB for continued activities for the periods indicated.

	Fiscal			Half Year	
	2001	2002	2003	2003	2004
				(unaudited)	
	(€ in millions)				
Adjusted EBITDA from continued activities:					
Retail EBITDA:					
DIY	70	100	107	61	66
HEMA	54	58	61	19	20
Apparel	56	61	54	38	28
Bijenkorf	29	15	15	(2)	(3)
V&D	40	6	—	(16)	(5)
Consumer Electronics	21	26	25	5	8
Other	(2)	(11)	(9)	(6)	(1)
Total retail adjusted EBITDA from continued activities	268	255	253	99	113
Property EBITDA:					
Net internal rents	58	61	59	30	29
Result on disposal of property	14	11	5	3	1
Total property adjusted EBITDA from continued activities	72	72	64	33	30
Total adjusted EBITDA from continued activities	340	327	317	132	143

Historical Cash Flows

The following table sets forth cash flow items for Vendex KBB for the periods indicated.

	Fiscal			Half Year (unaudited)	
	2001	2002	2003	2003	2004
	(€ in millions)				
Cash flow from operating activities	211	244	174	71	6
Cash flow from investment activities	(154)	(31)	(275)	(181)	(72)
Cash inflow/(outflow) from financing activities	(108)	(204)	132	23	120
(Decrease)/increase in cash	**(51)**	**9**	**31**	**(87)**	**54**

Cash Flow from Operating Activities

The following table sets forth the principal components of Vendex KBB's net cash flow from operating activities for the periods indicated.

	Fiscal			Half Year (unaudited)	
	2001	2002	2003	2003	2004
	(€ in millions)				
Operating result	101	304	61	53	26
Result on discontinued activities	(119)	162	(3)	—	—
Operating result on continued activities	220	142	64	53	26
Depreciation	120	147	174	79	88
EBITDA	340	289	238	132	114
Movements in:					
Inventories	4	46	(15)	(37)	(21)
Debtors	2	(13)	17	23	(18)
Short-term liabilities(1)	(24)	18	(22)	(17)	38
Movements in operating provisions	(7)	(20)	25	(14)	(33)
Other operating activity movements	(51)	—	(1)	—	—
Cash flow from operations (continued activities)	**264**	**320**	**242**	**87**	**80**
Financial income and expenses	(52)	(53)	(49)	(10)	(71)
Taxation	(1)	(23)	(19)	(6)	(3)
Cash flow from operating activities	**211**	**244**	**174**	**71**	**6**

(1) Excluding short-term loans from lending institutions.

Half Year 2004 Compared to Half Year 2003

Cash flow from continued operations decreased by €7 million, or 8.0%, from €87 million in Half Year 2003 to €80 million in Half Year 2004. This decrease was due to a lower operating result and increased cash outflow related to operating provisions (primarily V&D), partly offset by reduced cash outflow related to investment in working capital. The cash outflow related to working capital decreased from €31 million in Half Year 2003 to €1 million in Half Year 2004, principally due to better management of our payables.

2003 Compared to 2002

Cash flow from continued operations decreased by €78 million from €320 million in Fiscal 2002 to €242 million in Fiscal 2003. This decrease was largely due to a decrease in operating result of €78 million and an investment in working capital of €20 million in Fiscal 2003 as compared to a reduction in working capital of €51 million in Fiscal 2002. This decrease was partly offset by increased depreciation and by an increase in operating provisions of €25 million in Fiscal 2003, predominantly related to part of the restructuring charges of V&D described above under "—Results of Operations—Segmental—V&D" not being paid in Fiscal 2003 compared to a decline in operating provisions of €20 million in Fiscal 2002, primarily related to cash outflows regarding discontinued activities.

2002 Compared to 2001

Cash flow from continued operations increased by €56 million from €264 million in Fiscal 2001 to €320 million in Fiscal 2002 primarily as the result of working capital improvements. Working capital decreased by €51 million in Fiscal 2002 due to substantially lower inventories in most business units, particularly at V&D, HEMA and Apparel. Operating result from continued activities decreased from €220 million in Fiscal 2001 to €142 million in Fiscal 2002. This decrease reflected charges of €48 million taken in connection with V&D's revitalisation and €15 million taken in connection with the IT restructuring in Fiscal 2002, a portion of which were non-cash.

Cash Flow from Investment Activities

The following table sets forth the principal components of Vendex KBB's cash flow from investment activities for the periods indicated.

	Fiscal			Half Year	
	2001	2002	2003	2003	2004
				(unaudited)	
		(€ in millions)			
Net investments in intangible fixed assets and tangible fixed assets	(176)	(173)	(193)	(99)	(71)
Net investments in group companies	(8)	(150)	(81)	(82)	(1)
Net disposals of group companies	27	312	(6)	—	—
Net disposals of participating interests	8	(8)	7	—	—
Increase in amounts receivable	—	(9	(1)	—	—
Movements in other securities	(5)	(3)	(1)	—	—
Cash flow from investing activities	**(154)**	**(31)**	**(275)**	**(181)**	**(72)**

Half Year 2004 Compared to Half Year 2003

Net investments in intangible fixed assets and tangible fixed assets decreased by €28 million from €99 million in Half Year 2003 to €71 million in Half Year 2004. The decrease in net investment in Half Year 2004 reflected the decision to significantly reduce the capital expenditures at V&D. See "Business—Our V&D Operations—The V&D Restructuring." Capital expenditures at Apparel in Half Year 2004 were lower than in Half Year 2003 due to a lower pace of expansion. These reductions in net investments were partly offset by increased capital expenditure at Bijenkorf caused by remodeling the Amsterdam store, and the inclusion of the capital expenditure related to the seven Belgian megastores we acquired from Leroy Merlin and Castorama for the entire period in Half Year 2004 compared to the inclusion of the six Leroy Merlin DIY stores for approximately one month in 2003 in DIY. Capital expenditures at HEMA and Consumer Electronics were essentially unchanged.

Our cash outflows related to acquisitions (net investments in group companies) reduced from €82 million in Half Year 2003 to €1 million in Half Year 2004.

2003 Compared to 2002

Net investments in intangible fixed assets and tangible fixed assets from continued activities increased by €20 million from €173 million in Fiscal 2002 to €193 million in Fiscal 2003. The principal increases in capital expenditure were at Apparel, primarily due to Hunkemöller's expansion in Denmark and France, the expansion of M&S in France and Spain and the reformatting of ten M&S stores; at HEMA, primarily resulting from its expansion in Belgium; at Bijenkorf, due to the new store in Maastricht and the investments in the Amsterdam flagship store; and at DIY. Capital expenditure decreased at V&D, reflecting the decision to delay store upgrades, and at Consumer Electronics.

We spent a net amount of €81 million on acquisitions in Fiscal 2003, principally in DIY in connection with the six Belgian megastores we acquired from Leroy Merlin (including the indebtedness we assumed) in Half Year 2003 and the Belgian Castorama store we acquired in August 2003. The acquisitions were funded with borrowings under our existing credit facilities.

2002 Compared to 2001

Net investments in intangible fixed assets and tangible fixed assets from continued activities decreased by €3 million from €176 million in Fiscal 2001 to €173 million in Fiscal 2002. Net investment in Fiscal 2002 reflects increased capital expenditure of €8 million at DIY, due to the inclusion of Brico in our DIY portfolio, and €7 million at V&D, resulting primarily from store upgrades. Capital expenditure decreased by €8 million at HEMA, reflecting the completion of its new distribution center, the majority of the spending for which occurred in Fiscal 2001, €6 million at Apparel, although its level of capital expenditure still remained well in excess of its depreciation, and €4 million at Bijenkorf.

We spent €148 million on the acquisition of Brico in Fiscal 2002 (including the indebtedness we assumed), which we funded with borrowings under our then-existing credit facilities. We received €300 million in Fiscal 2002 in connection with the Packaged Sale (excluding indebtedness).

Net Cash Flow from Financing Activities

The following table sets forth the principal components of Vendex KBB's net cash flow from financing activities for the periods indicated.

	Fiscal			Half Year	
	2001	**2002**	**2003**	**2003**	**2004**
				(unaudited)	
	(€ in millions)				
Movements in long-term liabilities, including current component	(23)	(150)	171	52	120
Dividends paid	(37)	(35)	(38)	(29)	—
Repurchase of own shares	(48)	(19)	(1)	—	—
Cash flow from financing activities	**(108)**	**(204)**	**132**	**23**	**120**

Half Year 2004 to Half Year 2003

Our net cash inflow from financing activities increased by €97 million from €23 million in Half Year 2003 to €120 million in Half Year 2004. This increase primarily resulted from new financing arrangements in relation to the Acquisition. In addition, no dividend was paid in Half Year 2004 compared to €29 million in Half Year 2003.

2003 Compared to 2002

Our cash flow from financing activities increased by €336 million from a cash outflow of €204 million in Fiscal 2002 to a cash inflow of €132 million in Fiscal 2003. This resulted primarily from new financing arrangements in connection with the refinancing of most of our outstanding indebtedness in November 2003 in which the largest part of our short-term liabilities were converted into long-term financing committments. In addition, the cash outflow related to repurchases of our own shares was significantly reduced from an outflow of €19 million in Fiscal 2002 to an outflow of €1 million in Fiscal 2003.

2002 Compared to 2001

Our net cash outflow from financing activities increased by €96 million from €108 million in Fiscal 2001 to €204 million for Fiscal 2002. This increase primarily resulted from early repayment of various loans with part of the proceeds from the Packaged Sale, partly offset by a reduction of the number of our own shares repurchased by us and a reduction of dividend payments.

Liquidity

Our principal source of liquidity is our operating cash flows, which are analyzed above. Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section entitled "Risk Factors."

We have a committed Revolving Credit Facility of €265 million to service our working capital needs and other various corporate purposes. The availability of this Revolving Credit Facility is dependent upon conditions described under "Description of Certain Indebtedness—Senior Credit Facilities."

Although we believe that our expected cash flows from operations, together with available borrowings and cash on hand, will be adequate to meet our anticipated liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operations or that future debt and equity 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.

We believe that the potential risks to our liquidity are:

- a reduction in operating cash flows due to a lowering of net income from our operations, which could be caused by a downturn in our performance or in the industry as a whole;
- a failure to reduce working capital and improve the management of our supply-chain and sourcing;
- the need to fund restructuring costs of our V&D business unit; and
- the need to fund additional capital expenditures associated with our expansion plans, in particular with respect to our DIY, HEMA and Apparel business units.

If our future cash flows from operations and other capital resources (including borrowings under the Senior Credit Facilities) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the notes, on or before maturity.

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 addition, the terms of our existing debt, including the notes and the Senior Credit Facilities, and any future debt, may limit our ability to pursue any of these alternatives.

We are highly leveraged and have significant debt service obligations. As of August 1, 2004, and as adjusted to give effect to the Refinancing, we would have had approximately €1,554.9 million of indebtedness, of which €625 million was indebtedness under the Senior Credit Facilities and €275 million was represented by the notes. We anticipate that our high leverage will continue for the foreseeable future. Our high level of debt may have important negative consequences for you. For more information, see the section entitled "Risk Factors—Risks Relating to the Notes and the Guarantees."

Senior Credit Facilities

The Senior Credit Facilities require us to meet certain financial tests, including:

- minimum net cash interest coverage ratio (defined as Consolidated EBITDA to Net Cash Interest);
- a maximum total leverage ratio (defined as Total Net Debt to Consolidated EBITDA);
- a maximum senior leverage ratio (defined as Senior Net Debt to Consolidated EBITDA);
- a minimum debt service cover ratio (defined as Cashflow to Total Debt Service); and
- a limitation on total capital expenditures

(in each case, as such terms are defined in the Senior Credit Facilities). The calculation of EBITDA under our Senior Credit Facilities is different from the calculation of EBITDA presented in this offering memorandum. For more information, please see "Description of Certain Indebtedness—Senior Credit Facilities."

Our Senior Credit Facilities also contain affirmative and negative covenants, including restrictions on additional indebtedness, dividend payments, intercompany and other loans and investments, capital expenditures, asset sales, liens and pledges, transactions with affiliates, and amendments to charter documents and material agreements. Our Senior Credit Facilities also contain certain events of default, and defaults resulting from certain events affecting the business and assets of the lender of record, that may result in the acceleration of the debt under the Senior Credit Facilities. Please see the section entitled "Description of Certain Indebtedness—Senior Credit Facilities."

Working Capital Requirements

The following table sets forth the principal components of our working capital for the periods indicated.

	Fiscal			Half Year	
	2001	2002	2003	2003	2004
	(€ in million)				
Inventories	708	592	632	653	653
Receivables	241	274	286	260	316
Short-term liabilities	(550)	(579)	(613)	(618)	(663)
Total	399	287	305	295	306

Our working capital requirements primarily depend on our inventory and our short-term liabilities. We manage our inventory based on our expectations and assessments concerning customer preferences and market trends. We intend to reduce our working capital by renegotiating payment terms with our suppliers and by improving our inventory management through investment in automation and IT.

The seasonal aspects of our operations have a significant impact on our working capital levels. As an example of the seasonal patterns of our working capital, please see table below:

Per Quarter	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004
					(€ in millions)					
Inventories	868	645	711	592	675	653	745	632	699	653
Receivables	311	315	313	274	288	260	267	286	292	316
Short-term liabilities	(798)	(588)	(564)	(579)	(582)	(618)	(636)	(613)	(681)	(663)
Total	381	372	460	287	381	295	376	305	310	306

To ensure that we have adequate liquidity for our working capital requirements in the future, the Senior Credit Facilities include the Revolving Credit Facility which provides us with additional liquidity. See "Description of Certain Indebtedness."

Capital Expenditure

We expect capital expenditures in Fiscal 2004 to be in line with our depreciation expense and to be funded through our operating cash flows. In Fiscal 2005, capital expenditures are expected to be at a level moderately above our depreciation expense and to be funded through operating cash flow.

A large part of our capital expenditures represents discretionary investment in store refurbishments, expansions, and openings, that we are therefore able to defer, if necessary, to provide greater financial flexibility through the economic cycle.

Contractual Obligations and Contingent Liabilities

The following table summarizes the contractual obligations and principal payments we were obligated to make as of August 1, 2004 under our debt instruments, capital and operating leases and other agreements on a pro forma basis after giving effect to the Refinancing. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations. These maturities may differ significantly from the actual maturity of these obligations.

	Total	Less than 1 year	1-5 years	more than 5 years
		(€ in million)		
Senior Credit Facilities				
Term Loan A	**300.0**	7.5	169.0	123.5
Term Loan B	**162.5**	—	—	162.5
Term Loan C	**162.5**	—	—	162.5
Notes	**275.0**	—	—	275.0
Other Debt	**22.4**	8.4	14.0	—
Lease commitments	**32.5**	5.0	20.1	7.4
Net present value of operating leases	**1,417.0**	251.0	709.0	457.0
Total contractual obligations(1)	**2,371.9**	**271.9**	**912.1**	**1,187.9**

(1) Excludes the €600 million Mortgage Loan secured by the properties owned by the Propcos. The Mortgage Loan is expected to be serviced by the rental payments of our HEMA, Bijenkorf and V&D business units. The Mortgage Loan has a ten year maturity with quarterly redemptions commencing in October 2005.

Pensions

As of February 1, 2004, the number of policyholders under Vendex KBB's main pension fund, was approximately 87,000, consisting of approximately 32,000 active members, 40,000 paid-up members, and 15,000 retired members. The funding of the scheme is determined by a finance agreement between Vendex KBB and the pension fund, and should at least cover the actual annual costs of pension's accrual and administration. The funding itself is provided by contributions made by both Vendex KBB and the covered employee and is determined as a percentage of the relevant employee's wages, after deducting a hurdle amount which is revised annually. The division of the contribution between Vendex KBB and the employee is set out in a collective labor agreement.

The coverage funding ratios of pension plans throughout the Netherlands, including Vendex KBB's, have been adversely affected by recently volatile and declining equity markets. Vendex KBB's main pension fund, *Stichting Pensioenfonds Vendex KBB*, had a coverage funding ratio of 103% of its pension obligations as of February 1, 2004. Pursuant to a recovery plan, approved by the Dutch pension regulator (*Pensioen & Verzekeringskamer*), Vendex KBB is required to raise this coverage funding ratio to 126% by 2014. To achieve this goal, Vendex KBB has increased its total cash contributions from 12.6% in 2001 to 15.0% in 2002 and to 17.6% in 2003 of the total wages for the main pension plan (after applying a non pensionable salary amount currently set at €16,543 per employee) and from 3% to 4% in 2003 of the total wages for the early retirement pension plan. In addition, as of January 1, 2004, Vendex KBB raised the early retirement age from 62 to 63. If despite these additional contributions the pension fund's funding levels fail to improve, Vendex KBB may have to negotiate additional changes to its pension plan with the trade unions and may need to obtain further approvals from the Dutch pension regulator. Possible changes thereto could include a one-time cash injection into the fund, an increase in Vendex KBB's ongoing cash contributions, an increase in the employees' cash contributions, a suspension or reduction of future indexation or, in extreme cases, a reduction of benefits. If Vendex KBB were required to increase its cash contribution into the pension scheme, either as a one-time injection or on an ongoing basis, such payments could negatively impact our ability to conduct our operations and service our debt obligations, including the notes.

Contingent Liabilities

Vendex KBB is a party to certain legal proceedings. The two most significant pending lawsuits involve (i) claims by former employees for additional pension benefits and (ii) claims arising from the merger of Vendex International N.V. and N.V. Koninklijke Bijenkorf Beheer KBB. Based on available information, we do not believe the employees' claim, in which the employees have launched an appeal after receiving a verdict which was only partially successful for them, will have a material adverse effect on our business, financial condition, results of operations and cash flows. The second claim, which we have disputed, seeks damages of approximately €8 million plus interest and legal costs. These claims, as well as other claims to which we are or may become subject, could, if adversely determined or settled, result in cash outflows which would need to be funded from our sources of liquidity. See "Business—Legal Proceedings".

Off-Balance Sheet Arrangements

In the course of our business we provide repurchase commitments with respect to unsold merchandise to certain franchisees and affiliated companies. We also provide guarantees to third party suppliers on behalf of certain franchisees and affiliated companies. We had contingent liabilities in respect of these repurchase commitments and guarantees totaling €39 million as at August 1, 2004. In addition, we have contingent liabilities in respect of guarantees issued to various suppliers on behalf of several subsidiaries totaling €41 million as at August 1, 2004.

Affiliate Transactions

VDXK has entered into an advisory services agreement with the Sponsors, whereby the Sponsors provide ongoing consulting and management advisory services to us for an aggregate periodic annual fee of €2 million plus 5% of the aggregate fee paid in the preceding year.

A description of this advisory services agreement and certain other transactions involving us and certain of our affiliates, including the Consortium, is set out in this offering memorandum under "Certain Relations and Related Party Transactions."

Quantitative and Qualitative Disclosures About Market Risk

Foreign Exchange Risk

We purchase a substantial part of our products in euro from our suppliers. For our remaining purchases, a substantial part of which are denominated in United States or Hong Kong dollars, we purchase hedging contracts to reduce exposure to currency fluctuations. As these hedging contracts are based on underlying purchase contracts, we believe they do not have a material impact on our operations and financial position.

Interest Rate Risk

We are exposed to variable interest rates from our Senior Credit Facilities, the retained indebtedness and the Floating Rate Notes. We have entered into interest rate swaps to manage our interest rate exposure for a notional amount of approximately €250 million expiring in January 2005 and €275 million expiring in July 2007. We have also entered into interest rate swaps to manage our interest rate exposure on the Mortgage Loan for an aggregate notional amount of €450 million expiring in July 2009. The remaining principle amount of the Mortgage Loan of €150 million is covered by an interest rate cap expiring in July 2009. We may enter into additional interest rate swap arrangements with respect to our floating rate debt.

Impact of Inflation

In general, our costs are affected by inflation. We attempt to restrict increases in our costs below the rate of inflation through productivity improvements and capital expenditure. However, general inflation affects selling, general and administrative and similar costs for our competitors and us.

Critical Accounting Policies

Our reported results of operations and financial condition reflect the accounting policies, assumptions and estimates that underlie the preparation of our financial statements. Accordingly our accounting policies and the related assumptions and estimates are factors to be considered when reviewing both the discussion below and our financial statements. Our results and financial condition could differ from those discussed below if we were to apply different accounting policies, assumptions and estimates. The following is a discussion of our critical accounting policies, which are those that we consider to be most important to the portrayal of our financial results and condition or require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Purchase accounting and goodwill

Goodwill reflects the cost of acquired subsidiaries in excess of the fair value of the acquired assets and liabilities, including intangible assets, recorded in connection with acquisitions. Accounting for goodwill and acquired intangible assets requires management's estimate regarding (1) the fair value of the acquired intangible assets and the initial amount of goodwill to be recorded, (2) the amortization period and (3) the recoverability of the carrying value of goodwill and acquired intangible assets.

Goodwill acquired in connection with acquisitions is capitalized and amortized over the period during which future economic benefits are expected to be generated. There is a rebuttable presumption that the amortization period does not exceed a maximum period of 20 years.

To determine the initial amount of goodwill to be recorded upon acquisition, we have to determine the consideration and the fair value of the assets and liabilities acquired. We use independent appraisers and our internal analysis, generally based on discounted cash flow techniques, to determine the fair value of the assets and liabilities acquired and non-cash components of the consideration paid. The actual fair value of the assets and liabilities acquired could differ from the fair value determined, resulting in an under- or over-statement of goodwill. Factors that are considered in estimating the useful life of goodwill include the foreseeable life of the business or industry and other.

The amortization period is reviewed annually in light of the above factors for goodwill. Goodwill is tested for impairment when events or changes in circumstances so require. The amortization period is reviewed annually in light of the above factors for goodwill. Goodwill is tested for impairment when events or circumstances (triggering events) indicate that goodwill may be impaired. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the smallest cash-generating unit to which the goodwill can be allocated on a reasonable and consistent basis. This amount is then compared to the carrying amount of the cash-generating unit (including allocated goodwill) and any shortfall is recognized as an impairment loss ("bottom-up" test). If it is not possible to allocate goodwill on a reasonable and consistent basis to separate cash-generating units, an additional "top-down" test is carried out under which the unallocated amount of goodwill is allocated to a "larger" cash-generating unit; the recoverable amount of the "larger" cash-generating unit (including goodwill) is then compared to its carrying amount and any shortfall is recognized as an impairment loss. The recoverable amount of cash-generating units is often determined using discounted future cash flows, involving significant assumptions made by management. These include the determination of the appropriate discount rate, projected sales and operating income and non-cash items such as depreciation, amortization and changes in working capital. In making these assumptions, we consider historical results, adjusted to reflect current and anticipated operating conditions. Because a change in these assumptions can result in a significant change in the recorded amount of goodwill, we believe the accounting for goodwill is one of our critical accounting policies.

Valuation of Stock

We record our stock at the average purchase price less a provision for obsolescence, deterioration and other risks of holding stocks. In the average purchase price we include costs directly related to the purchase, such as shipping and insurance costs. Depending on the measures most appropriate for different businesses, the method for calculating provisions for obsolescence differs between the operating companies. They are consistently applied from one period to another. In general the guiding principle is to use a method which ensures that a margin impact is reported in the period where merchandise is left unsold or marked down, rather than leaving the margin impact to occur when overdue merchandise is sold. A change in those estimates in a subsequent period may result in a further write down of stocks.

Revenue Recognition

Turnover represents the value of the goods and services sold and is recorded at the moment of delivery, net of VAT and sales discounts. Sales discounts include the estimated cost of both general and customer loyalty programs. These programs allow the customer to exercise points in exchange for products or services. In determining the estimated sales discount to record, management is required to estimate the anticipated levels of redemption and average cost per point. These estimates are based on third party reports and internal analysis derived from historical experience.

Income Taxes

We operate in numerous countries where our income tax returns are subject to audits and adjustments. Because we operate in multiple countries, the nature of the audit items are often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country.

We also have deferred assets resulting primarily from net operating losses. The realization of these assets is not assured and is dependent on the generation of sufficient taxable income in the future. Management has exercised judgment in determining the extent of the realization of these losses based upon estimates of future taxable income in the various tax jurisdictions in which these deferred tax assets exist. These deferred tax assets are recognized to the extent that realization thereof is considered probable. If actual events differ from management's estimates, or, to the extent that these estimates are adjusted in the future, any changes to the amount of deferred tax assets recognized could materially impact our financial position and results of operations.

Litigations and settlements

We are party to a number of legal proceedings, most of which are routine and all of which are incidental to our business. Some matters involve claims for large amounts of damages as well as other relief. We form a provision when we consider it probable that there will be an outflow of resources embodying economic benefits to settle that claim. We note, however, that the probable outcome of legal proceedings can be extremely difficult to assess.

Pension benefits

We maintain a number of benefit plans for our employees, including defined benefit pension plans. Historically, Vendex KBB did not record a liability for the implied difference between the estimated defined benefit obligation, and plan assets based on Dutch GAAP. The issuer applies an alternate accounting allowed under Dutch GAAP and accordingly has recorded this liability. The calculation of the pension liability requires the use of a number of estimates and assumptions. Significant benefit plan assumptions include the discount rate, the long-term rate of return of plan assets and rate of future increases in compensation. The assumptions we use are based on historical experience and by evaluating predictions on matters such as rates of return and mortality provided by third party advisors such as actuaries and investment advisors. Changes in these assumptions can result in different expense and liability amounts, and future actual expense can materially differ from the assumptions.

BUSINESS

Our Group

We are the leading non-food retailer in the Netherlands with an estimated 8% overall market share and with expanding operations in Belgium, France, Germany, Denmark, Luxembourg and Spain. We were created in 1999 through the merger of two of the oldest and largest retail groups in the Netherlands, Vendex International N.V. and N.V. Koninklijke Bijenkorf Beheer KBB, which were founded respectively in 1887 and 1870. We are organized into six main business units DIY; HEMA (variety store); Apparel; Bijenkorf and V&D (both department stores); and Consumer Electronics. In addition, we also operate a number of smaller retail-related and service businesses. Our business units comprise a total of 15 retail formats, which we believe represents a diversified portfolio of well-established brands, many of which are household names in the Netherlands.

We operate 1,785 stores, both directly and through franchises, representing approximately two million square meters of net retail space. We estimate that, in the Netherlands alone, our retail formats collectively receive an average of eight million visitors per week.

Our History

We were created in 1999 through the merger of two of the oldest and largest retail groups in the Netherlands, Vendex International N.V. and N.V. Koninklijke Bijenkorf Beheer KBB. Vendex International N.V. traces its origins to the V&D department store business, which was founded in Amsterdam in 1887. N.V. Koninklijke Bijenkorf Beheer KBB was founded in 1919, although it traces its origins to the Bijenkorf department store chain founded in Amsterdam in 1870.

Following the merger, our portfolio of businesses consisted of 26 separate retail formats. Given the complexity of running such an extensive and diverse group of businesses, our management has pursued a strategy of reducing our total number of retail formats by selling or liquidating 16 retail formats since 1999 that have under-performed relative to our expectations or which we believed lacked the potential for European expansion under our management. In particular, in Fiscal 2001, we sold the US toy chain, FAO Schwarz in an asset sale. In Fiscal 2002, in the Packaged Sale, we disposed of Hans Anders (an opticians group with three retail formats in the Netherlands and Belgium), Siebel Jewellers (a jewellery group with four retail formats in the Netherlands, three of which we sold while keeping the fourth, Schaap & Citroen), Kijkshop (a showcase retailer operating in the Netherlands and Belgium), Perry Sport (a retailer of sportswear and sporting articles in the Netherlands), Scapino (a footwear retailer operating in the Netherlands, Belgium and Germany) and Prénatal (a baby and maternity apparel retailer in the Netherlands). Subsequently, we disposed of our IT location in Sittard in the Netherlands, which had primarily serviced the businesses sold in the Packaged Sale. In addition, in Fiscal 2002 we closed down Dixtone (a mobile phone retailer), and sold America Today (a fashion retail chain operating in the Netherlands and Belgium).

Since the completion of the merger, we have also actively pursued the development and expansion of a selected number of our retail formats both through the opening of new stores as well as the acquisition of whole businesses or groups of stores. In a number of cases, this has taken the group into new geographical markets within Europe.

Our Apparel business unit has grown predominantly by organic expansion. M&S grew rapidly in France, adding a total of 60 stores since the beginning of Fiscal 2001 through the end of Half Year 2004. In Fiscal 2002, we opened two pilot M&S stores in Spain. Following the success of the pilot program, we decided to continue the expansion and have opened an additional seven stores in Spain through Half Year 2004. Hunkemöller significantly expanded its operations in Denmark by opening a further eight stores since the beginning of Fiscal 2001 through the end of Half Year 2004 and, following the success of its pilot program, opened a further eight stores in France in the same period. In addition to expanding into new markets, Hunkemöller opened a further eight stores in the Netherlands and four stores in Germany during the same period.

Our HEMA business unit has also expanded both in the Netherlands and in other countries. Since Fiscal 2001, HEMA opened 16 stores in the Netherlands, 15 stores in Belgium and three pilot stores in Germany.

In Fiscal 2002, we acquired the Belgian DIY operations of Brico, the market leader in Belgium, which took us into the Belgian market with 97 stores that we continue to operate under the Brico retail format. In addition, we acquired seven megastores in Belgium from Leroy Merlin and Castorama effective July and August 2003, respectively.

In 2004, we were acquired by the Consortium and our common and preferred shares were delisted from Euronext Amsterdam. See "The Acquisition, the Property Transaction and Related Transactions—The Acquisition."

Our Strengths

Leading Market Position in Attractive and Stable Markets

We are the leading non-food retailer in the Netherlands. We estimate our overall market share of the highly fragmented Dutch non-food retail market at 8%. We are the leading player in the do-it-yourself market in the Benelux, being the market leader in Belgium (with an estimated market share of 20%) and having a strong number two position in the Netherlands (with an estimated market share of 24%). Our HEMA store chain is the largest general merchandiser in the Netherlands, and our Bijenkorf and V&D department store retail formats are the only national department store chains operating in the Dutch market. Our Apparel formats have strong, well differentiated positions in their respective niche markets, and, including Bijenkorf and V&D, we are, as a group, the largest apparel retailer in the Netherlands. We believe our Consumer Electronics business unit is among the leading consumer electronics retailers in the Netherlands.

Our size enables us to negotiate prices from our suppliers that are lower than those offered to our local competitors, facilitates the negotiation of better rental terms, improves our access to prime real estate locations and gives us the scale necessary to realize cost efficiencies in marketing and central administration.

In addition, we believe that the non-food retail market is relatively more stable in the Netherlands than in many other countries due to regulatory restrictions on out-of-town building developments, space limitations, and a customer preference for city center shopping. We believe that the stability of the market structure has historically favored existing non-food retailers, such as ourselves, over new entrants.

Highly Recognized Brand Names and Well Established Franchises

We believe that our brands are well established in the Netherlands and benefit from strong market positions with many years of continuous operations. Bijenkorf and V&D have been active department store chains for over 100 years, HEMA has operated in the Netherlands for more than 75 years, and Hunkemöller for more than 120 years. Today, our portfolio includes some of the most popular brands in the Netherlands. For example, HEMA was elected the best retail store in the Netherlands in 2003 (Elsevier Retail Survey) for the second consecutive year and Hunkemöller won the Mastercard Retailer of the Year award in 2003. We believe that the established franchises and nearly universal recognition in the Netherlands of our various brand names help to drive a high foot traffic in our stores and represent a significant competitive advantage.

Large Store Portfolio in Prime Locations

We operate directly or through franchises a portfolio of 1,785 stores in the Netherlands (1,168), Belgium (289), France (153), Germany (137), Denmark (19), Luxembourg (10) and Spain (9), representing a net selling space of approximately two million square meters. Our store portfolio is unique in the Netherlands, as a significant portion of our stores are located in prime retail locations, in town centers, along high streets and in major shopping districts. This results in very high foot traffic in our stores. We estimate that in the Netherlands, which has a population of 16.3 million, we receive approximately 8 million visitors per week. We believe that the quality and size of our store portfolio represent a significant competitive advantage, given the limited availability of high quality retail locations in the Netherlands. In addition, we believe that our size and the fact that HEMA, Bijenkorf and V&D often serve as anchor tenants in their respective locations make us an attractive tenant to landlords and provide substantial leverage in negotiating and securing current and future rental agreements.

Diversified Business Portfolio

We are organized into six main business units and operate across three retail categories through a total of 15 retail formats. Our portfolio of retail formats offers customers a diversified range of products and brands that appeal to a broad spectrum of consumer market segments. We sell products that range from do-it-yourself to apparel to electronics and include both branded and private label products. Our 15 different retail formats target consumers in the value, middle-market and up-market segments. For example, HEMA's products typically appeal to value conscious consumers, while V&D and Bijenkorf primarily target the middle-market and up-market customers, respectively. While still geographically concentrated in the Netherlands, we have an increasing presence outside the Netherlands (with 18% of our turnover generated outside the Netherlands in Fiscal 2003). We believe that the diversity of our business portfolio across different market segments and customer spending categories reduces the sensitivity of our business to economic downturns and our exposure to adverse developments in any single product or consumer market segment.

Stable Margins and Cash Flows in our Most Significant Business Units and Adjustable Capital Expenditures

We benefit from relatively stable cash flows, due mainly to consistent EBITDA generation in our most significant business units and predictable and adjustable capital expenditure throughout the group. Despite the recent economic downturn in the Netherlands, one of the most significant in the last 20 years, DIY and HEMA, our two largest EBITDA generators, maintained relatively stable margins.

We have invested €616 million in our business over the past three years which represents 147% of our depreciation charges during that same period. A large part of our capital expenditures represents discretionary investments in store refurbishments, expansions and openings, that we are therefore able to defer, if necessary, to provide greater financial flexibility through the economic cycle.

Experienced and Incentivized Management Team

Our Board of Management and the head of each business unit have an average of 21 years of experience in retail. We believe that the depth of experience of our operational management teams, gained across different retail segments, provides us with an advantage over smaller competitors, allowing us to exchange knowledge of best practices and deploy members of our operational management teams across business units. Our Board of Management, together with approximately 50 other managers, have made a significant equity investment in the group, and have been granted an incentive package with a strong focus on increasing profitability and cash generation.

Principal Shareholders with Significant Retail Sector Experience

We expect to benefit from the relationships, investment experience, retail expertise and Dutch market knowledge of our sponsors, Kohlberg Kravis Roberts & Co. L.P. ("KKR"), Cinven Limited ("Cinven"), Permira Advisers Limited (and other entities which act as advisers or consultants to Permira funds, "Permira") and AlpInvest Partners N.V. ("AlpInvest" and together with KKR, Cinven and Permira, the "Sponsors").

Our Sponsors are some of the world's leading and most experienced private equity firms and have a significant track record of successful investments in the retail industry. Our Sponsors' investments in the retail industry have included Safeway, Stop & Shop, Fred Meyer, Randall's Food Markets, Peacock and Allied Carpets.

Our Strategy

The following identifies some of the key elements of our strategy.

Improve Operations within the Group

Under new ownership, our key priority is to improve the performance of all our business units in order to increase our profitability and to improve our cash flow generation.

To achieve this goal, each of our DIY, HEMA, Apparel, Bijenkorf and V&D business units, with the support of specialized consultants, has conducted over the last three months a comprehensive review of their operations, including for each of their formats an assessment of each significant cost and working capital component. As a result of this review, we have identified across these business units significant cost savings opportunities and working capital improvements that we expect to be able to achieve over the next three years.

We have identified cost savings opportunities that may be realized through (i) the optimization of our head-office functions both in our business units and at corporate level, (ii) the improvement of efficiency in our stores, (iii) productivity gains in our logistics and back office operations through the optimization of our warehouse facilities (particularly in Bijenkorf and Apparel) and additional investments in IT and automation, and (iv) an improvement in our purchasing costs, in particular through a reduction in the number of suppliers of DIY, Bijenkorf and V&D and an increase in the share of our Far East sourcing (in particular related to apparel and do-it-yourself products). We expect that some of these cost savings could be achieved in the near term, and we believe that the reorganization of V&D has demonstrated our ability to achieve cost savings rapidly and on a significant scale, with approximately €50 million cost savings on an annualized basis achieved six months after announcement.

The management of working capital has not previously been a key priority of our business units, and we believe that significant cash-generating opportunities exist through renegotiating payment terms with our suppliers across all of our business units and through improving our inventory management through investment in automation and IT. Some of our business units have significantly shorter payment terms than comparable businesses operating in similar markets, and we expect to be able to improve payment terms with many of our suppliers in the near term. While the implementation of logistics automation or up-to-date retail software can take time, we believe that the successful mechanization of the HEMA distribution center in 2003 has illustrated our ability to implement such measures and to generate the expected inventory reductions successfully and on a timely basis.

Continue the Integration and Selective Expansion of our DIY Formats

Our DIY formats in the Netherlands and Belgium have historically operated as separate businesses with little coordination. We believe that significant opportunities exist to increase profitability and to reduce working capital by coordinating purchasing across these formats as well as by sharing resources and exchanging best practices between them.

In parallel to the implementation of these measures, we will continue to selectively expand our successful medium-size Brico store concept and large-size Brico Plan-It store concept in Belgium through further conversions and store openings, and thereby drive our like-for-like sales growth and reinforce our market position in the country. We may also pursue selected store-opening opportunities in the Dutch market.

Continue to Implement the V&D Restructuring Plan

The management team led by Mr. Dirk Goeminne, which successfully turned around HEMA in 1998, has developed and started the implementation of a comprehensive restructuring plan aimed at restoring the profitability of V&D by (i) cutting cost and (ii) improving gross margin and re-invigorating like-for-like sales. The first measures of this plan, including a reduction of 1,800 FTEs and the closing of 12 department stores, have already been successfully completed and have resulted in annualized cost savings of approximately €50 million and an improvement in V&D's performance despite a decline in sales. With the business now stabilized, we are focused on improving gross margin and re-invigorating V&D's like-for-like sales growth through a renewal of styling, product offering, advertising, branding and the introduction of a new store concept.

Grow our Business through Selective Initiatives and Disciplined Expansion

In addition to the strategies discussed above, we have taken specific initiatives to drive the like-for-like sales growth in our formats, including in particular, adjusting the M&S product offering in line with its target customer group in the Netherlands, and optimizing our product offering at HEMA (new fresh food offering and improved children and hardware product lines), and we intend to identify and pursue similar initiatives going forward.

We also intend to selectively expand our store portfolio to consolidate our market position in the Netherlands and pursue the international expansion of the retail formats that have demonstrated the ability to grow successfully in other European countries. In addition to the DIY opportunities discussed above, we have identified the opening of HEMA stores in the Netherlands (in smaller catchment areas) and Belgium (to continue HEMA's successful expansion in this country) and the international expansion of M&S (in France and Southern Europe) and Hunkemöller (mostly in Denmark, France and Southern Europe) as the most attractive opportunities.

All investment decisions are based on stringent return on capital requirements and we have adopted a conservative and disciplined approach to our international expansion, starting with extensive market research, followed by deployment of pilot stores and opening of new stores, if appropriate.

Review Strategic Alternatives for Consumer Electronics

We are currently in discussions with interested parties with respect to the sale of all or part of the Consumer Electronics business unit, which may or may not lead to an agreement.

Focus on De-leveraging

One of our key priorities is to reduce our debt levels. To do so, we will aim to maximize the cash flows available for debt reduction through the implementation of initiatives to improve operating efficiencies and a continued focus on the management of our working capital.

Our Business Units

The following table sets forth the turnover and pro forma adjusted EBITDA of our business units for the Last 12 Months:

		LTM turnover		LTM pro forma adjusted EBITDA[(1)]		
	# stores[(2)]	€ million	% group	€ million	% group	Retail Category
DIY	321	1,289	29%	112	42%	Specialty Store
HEMA	313	922	20%	62	23%	Variety Store
Apparel	735	449	10%	44	17%	Specialty Store
Bijenkorf	13	402	9%	14	5%	Department Store
V&D[(3)]	76	760	17%	11	4%	Department Store
Consumer Electronics	317	612	14%	28	10%	Specialty Store
Other[(4)]	10	49	1%	(4)	(1)%	—
Total Restricted Group[(5)]	1,785	4,483	100%	267	100%	—

(1) Pro forma adjusted EBITDA is derived from adjusted EBITDA, after giving effect to the Acquisition, the Refinancing and the Property Transaction. Adjusted EBITDA is defined as EBITDA before exceptional items. For a definition of EBITDA and reconciliations of adjusted EBITDA to EBITDA and EBITDA to Net Result, see "Summary Historical and Pro Forma Financial Data."

(2) Number of stores as of the end of Half Year 2004.

(3) Includes the 16 stand-alone La Place restaurants.

(4) Consists of smaller retail-related and service businesses, including Schaap & Citroen, an up-market jewellery chain operating in the Netherlands; AudioSonic, an international consumer electronics wholesale distributor; Vendex KBB Cards & Financial Services (CFS), our internal financial services provider; Vendex KBB IT Services B.V., our internal information and technology services company; and our corporate overhead costs.

(5) Total Restricted Group excludes Propcos. Propcos' EBITDA was €61 million for the Last 12 Months. See "Unaudited Pro Forma Condensed Consolidated Financial Information." Our Propcos own 71 stores (59 HEMA stores, seven V&D stores and five Bijenkorf stores) and three parking lots. The Propcos rent these properties to HEMA, Bijenkorf and V&D. The Propcos are "Unrestricted Subsidiaries" under the terms of the Indenture and are not subject to its restrictive covenants. See "The Acquisition, the Property Transaction and Related Transactions."

Our DIY Operations

Our DIY business unit is the leading player in the do-it-yourself market in the Benelux, with a clear leadership position in the consolidating Belgian market and a strong number two position in the Netherlands. Our DIY business unit operates four complementary retail formats (Praxis and Formido in the Netherlands and Brico and Brico Plan-It in Belgium) which together combine larger and smaller size and directly operated and franchised stores, selling an extensive range of home improvement products, decorative items, tools and appliances, principally to retail customers.

The following table shows the breakdown of DIY sales by country, for Half Year 2004:

Sales by Country	%
The Netherlands	58.1
Belgium	41.9
	100.0%

Our four DIY retail formats are commercially independent, but are operated under one management team. Our 123 Praxis and 76 Formido stores together have the second largest share of the do-it-yourself market in the Netherlands as at August 1, 2004. While they both focus on the same consumer target group, i.e. retail do-it-yourself customers, and offer a relatively similar product mix comprising an extensive range of basic do-it-yourself and decorative products, they operate with different models (Formido operating mostly with franchised stores) and with different store profiles and catchment areas (Praxis focusing on larger areas and store formats). Our 109 Brico stores and seven Brico Plan-It stores have the largest share of the Belgian do-it-yourself market as at August 1, 2004. For Half Year 2004, approximately 12% and 19% of the net turnover in our Dutch and Belgian retail formats, respectively, was generated from the sale of private label products and we will seek to increase this share in the future. Our DIY stores range in size from approximately 1,000 m^2 to 15,000 m^2, representing a total retail space of approximately 979,900 m^2 as at August 1, 2004, of which 287,000 m^2 are franchised. DIY's average sales per m^2 was €1,353 in Fiscal 2003 and €1,362 in the Last 12 Months.

Store portfolio

As at August 1, 2004, DIY had a total of 321 stores with 205 stores in the Netherlands and 116 stores in Belgium. We own 11 of these stores, consisting of four Brico Plan-It stores, three Praxis stores and four Brico stores. Our DIY retail formats are differentiated by size and product offering. Our 123 Praxis stores range in size from approximately 2,000 m^2 to 15,000 m^2 and are organized between the medium size stores (104 stores of approximately 2,000 m^2 to 5,000 m^2) and the megastores (19 stores of approximately 5,000 m^2 to 15,000 m^2). Our Praxis stores generally stock an average of approximately 65,000 SKUs throughout the year. Our 109 Brico stores are similar in composition to our Praxis stores, with a mix of large and small stores, ranging in size from approximately 1,000 m^2 to 13,000 m^2 and generally stocking an average of approximately 40,000 SKUs throughout the year. Our Brico Plan-It stores are each approximately 9,000 m^2 in size, and stock an average of approximately 40,000 SKUs throughout the year. Formido is predominantly a franchise chain. Formido's 76 stores are generally smaller than Praxis, Brico and Brico Plan-It stores, averaging approximately 1,500 m^2 in size, and generally stock an average of approximately 26,000 SKUs throughout the year.

Franchises

As at August 1, 2004, 23 of our 123 Praxis stores, 68 of our 76 Formido stores and 66 of our 109 Brico stores were franchised. In total, we operate directly approximately 49% of our DIY stores. Our franchised stores are operated by third parties pursuant to standard franchise agreements. Although franchisees have discretion over both the assortment of products that they stock and their source of supply, in practice franchisees purchase substantially all of their products from us. Our franchisees generally adhere to our recommended price and promotion policies, but do occasionally deviate from them. Praxis and Formido franchisees pay us a fee based primarily on the cost of goods that they purchase from us, while Brico franchisees pay us a fee primarily based on turnover.

Supply chain

As at August 1, 2004, Praxis and Formido jointly purchased merchandise from approximately 170 suppliers, the top 25 suppliers representing approximately 73% of their total purchases. Merchandise for Praxis and Formido is shipped directly from the suppliers to individual Praxis and

Formido stores. We operate an electronic data interchange with our suppliers in the Netherlands, both for purchasing and invoicing. Brico purchases its merchandise from approximately 800 suppliers with the top 20 suppliers representing around 40% of the total buying volume. Brico uses a combination of direct shipment from suppliers to stores and centralized distribution (approximately 60% of its products by net turnover) whereby suppliers ship to four Brico distribution centers and Brico arranges distribution, through third party transporters, to Brico stores. Suppliers of Brico Plan-It currently directly ship the products to our Brico Plan-It stores. We have recently started to integrate Brico Plan-It into the existing supply chain of Brico. We have also initiated in 2003 a unified purchasing program across Belgium and the Netherlands whereby we have granted certain manufacturers a "preferred supplier" status in exchange for more favorable terms. We also intend to implement a gradual supplier consolidation between Belgium and the Netherlands, which we believe will further improve our negotiating leverage with our suppliers.

Advertising and marketing

DIY's advertising and marketing strategy focuses on television advertising, sponsorship and distribution of leaflets. Praxis directly distributes approximately six million leaflets to homes in the Netherlands 33 times per year. Formido advertises primarily through the direct distribution of 2.4 million leaflets 29 times per year and radio advertisements. Brico advertises primarily through the direct distribution of 3.7 million leaflets 14 times per year and through the publication of a large catalogue that is made available in each Brico store location once per year. Other than Brico Plan-It, all of our DIY retail formats also advertise via their own websites.

Competition

We estimate the size of the Dutch do-it-yourself market to be approximately €4 billion. The Dutch do-it-yourself market is relatively mature, with historic growth rates moderately exceeding GDP and a relatively high share of do-it-yourself specialists. We have the second largest market share in the Dutch do-it-yourself market after Intergamma, and we estimate that, together with Intergamma, we represent approximately 60% of the Dutch market based on net turnover. Based on net turnover for Half Year 2004, we estimate that we have a 24% market share, compared to a 36% market share for Intergamma. Hornbach, a German large size, low-cost do-it-yourself retailer currently also operates six stores and two garden centers in the Netherlands.

We estimate the size of the Belgian do-it-yourself market to be approximately €3.6 billion and this market is still relatively fragmented, with many independent operators and buying groups. We are the leading do-it-yourself retailer in Belgium and believe that we have a substantially higher market share than the second largest do-it-yourself retailer in Belgium, Intergamma.

Our HEMA Operations

HEMA is a general merchandise retailer operating 313 stores in the Netherlands, Belgium and Germany as at August 1, 2004. HEMA is a unique retail formula, with substantially all items sold under the HEMA brand name. The merchandise assortment consists of items used regularly in typical households: cosmetics, basic apparel (baby clothes, underwear and general apparel), hard goods (household goods, linen and office supplies) and food (including baked goods, meats, confectionery and wine); and the selection focuses on quality, low price, reliability and contemporary style. HEMA is a Dutch institution, enjoying an excellent brand image (with a virtually 100% brand awareness in the Netherlands, HEMA was elected the best retail store in the Netherlands in the 2003 Elsevier Retail Survey for the second consecutive year) and a market leadership in a number of categories. Targeting the middle to low-end of the market, HEMA has developed a unique position (less expensive than department stores but better quality than discounter products), which has resulted in a loyal customer base and high foot traffic of, on average, four million visitors per week. HEMA also offers a photo service department in most of its stores in the Netherlands, and the majority of HEMA stores include a cafeteria. The following table shows the breakdown of HEMA sales by country, for Half Year 2004:

Sales by Country	%
The Netherlands	91.4
Belgium	8.2
Germany	0.4
	100.0%

HEMA stores are designed to be convenient for customers and offer easy accessibility, functional product displays, quick payment facilities and customer-friendly guarantee and return policies. HEMA stores range in size from approximately 400 m^2 to 2,300 m^2, representing a total retail space as at August 1, 2004 of approximately 305,800 m^2. HEMA employed 10,519 people as at August 1, 2004. HEMA's average sales per m^2 was €3,081 in Fiscal 2003 and €3,055 in the Last 12 Months.

Store portfolio

As at August 1, 2004, our HEMA stores consisted of 271 stores in the Netherlands, 39 stores in Belgium and three pilot stores in Germany. Our HEMA stores are customarily located in areas of high density such as city and town centers. In 1997, as part of a restructuring, HEMA adopted a standardized approach that classified its stores into four store categories based on market size and catchment area (two city center store categories, convenience stores and large stores), each store category having a specified layout and product assortment. Large stores range in size from approximately 2,000 m^2 to 2,300 m^2, while smaller stores range in size from approximately 400 m^2 to 600 m^2. While all of our stores carry substantially the same merchandise categories, the smaller stores offer a more limited assortment within each of these categories. Our stores offer from approximately 15,000 to 30,000 SKUs, depending on the season and their category. Since the restructuring, HEMA has reconfigured all of its stores to fit within one of these four standardized store categories, reducing operating complexity, and hence allowing us to streamline HEMA's head office and to maintain better supply chain management, which has resulted in lower operating expenses and increased profitability.

Franchises

As at August 1, 2004, we operated directly 182 stores, or approximately 58%, of our HEMA stores. The remaining 131 HEMA stores, all of which were located in the Netherlands, were operated by approximately 100 third-party franchisees, generally pursuant to standard agreements. Franchise stores must conform to the standardized store layout that we have established for each format category and must stock the complete range of SKUs that we offer for a similar store category. Franchisees are not permitted to offer non-HEMA merchandise and services, with the exception of certain limited non-HEMA branded food items. Under HEMA's franchise agreements, franchisees must purchase from us the HEMA products and services that they offer in their stores. HEMA advises franchisees to offer merchandise at the same price at which we offer items in our company-operated stores, though franchisees are entitled to deviate from the recommended price. Our HEMA franchisees must pay us a fee that is calculated as a fixed percentage of the retail value of all of the goods that they purchase from us.

Supply chain

As a general merchandiser that sells mostly HEMA-branded products, HEMA continuously reviews its relationships with its suppliers in order to improve its margins. With the exception of manufacturing, HEMA seeks to control all aspects of the supply chain, including styling, purchasing, merchandising, marketing and other functions. HEMA has category management teams, all of which are located at its head office in Amsterdam, for each of its 15 product categories.

HEMA uses a centrally organized replenishment system for ordering stock and uses daily sales information to help determine purchasing levels. Certain products, such as perishable food items, can be purchased and stocked quickly. HEMA has approximately 1,150 suppliers, which are predominantly located in Europe, the Middle East and Asia. HEMA's strong position in certain apparel items (such as socks and underwear), cosmetics and pastries enables it to obtain particularly competitive terms with its suppliers for these products.

With the exception of fresh food products, which are delivered directly from its suppliers, HEMA delivers the majority of its merchandise to its stores in the Netherlands, Belgium and Germany through its distribution center located in the Netherlands. A three-year project to mechanize this distribution center, representing a total investment of €25 million, was recently completed and has improved stock availability at our stores and further reduced our unit logistic costs.

Advertising and marketing

HEMA's advertising and marketing strategy focuses on direct distribution of brochures. HEMA distributes approximately 4.8 million brochures with prominent price points relating to specific merchandise 14 times per year. We also distribute the same number of brochures eight times per year to more generally promote our brand. We also advertise nationally on billboards in the Netherlands and support certain promotional events with radio advertising.

Competition

HEMA's competitors vary by merchandise category and include in the Netherlands C&A, Wibra and Zeeman for apparel, Xenos and Blokker for general merchandise, DA and Kruidvat for cosmetics and personal care products, and Albert Heijn and Kruidvat for photo developing.

Our Apparel Operations

Our Apparel business unit is our most international unit, operating 735 stores in seven countries, and consists of three retail formats: M&S, Hunkemöller and Claudia Sträter. Our three formats offer private label women's apparel that is carefully designed to appeal to particular segments of the market. Each of our Apparel retail formats is managed separately. The following table shows the breakdown of Apparel sales by country, for Half Year 2004:

Sales by Country	%
The Netherlands	41.5
France	22.8
Belgium/Luxembourg	19.3
Germany	13.8
Denmark	1.7
Spain	0.9
	100%

Our Apparel unit's stores range in size from approximately 60 m^2 to 400 m^2, representing a total retail space as at August 1, 2004 of 122,725 m^2. The Apparel unit's average sales per m^2 was €3,907 in Fiscal 2003 and €3,727 in the Last 12 Months.

The largest of our Apparel retail formats is M&S, a discount boutique for women over 35, which offers fashionable clothing at competitive prices, and in a wide range of sizes. M&S operated through 422 stores in France, the Netherlands, Germany, Belgium, Spain and Luxembourg, as at August 1,

2004. Of our Apparel retail formats, M&S has the largest presence outside of the Netherlands with over two-thirds of its net turnover generated from outside the Netherlands in the Last 12 Months.

Hunkemöller, which was founded more than 120 years ago, sells lingerie, swimwear and nightwear via 285 stores in the Netherlands, Belgium, Germany, Denmark, France and Luxembourg, as of the end of Half Year 2004. During Half Year 2004, approximately 50% of Hunkemöller's sales were generated from outside the Netherlands. Offering contemporary designs under the Hunkemöller label at affordable prices for all women, Hunkemöller is the preeminent store for lingerie in the Netherlands, where it won the MasterCard Retailer of the Year Award for 2003, in the retail chain category.

Founded more than 30 years ago, Claudia Sträter primarily sells high-end professional and casual women's apparel through its 27 stores in the Netherlands, Belgium and Luxembourg, as at August 1, 2004, and on a wholesale basis to other selected retailers in Western Europe. In addition, in September 2003, we opened our first Claudia Sträter pilot store in Germany. We are currently considering further expansion in Germany after our pilot store performed satisfactorily for Half Year 2004.

Store portfolio

The following table shows the breakdown of Apparel's stores by retail format for Half Year 2004:

Number of Stores by Location	M&S	Hunkemöller	Claudia Sträter
The Netherlands	133	128	18
Belgium/Luxembourg	65	67	9
Denmark	—	19	—
France	139	14	—
Germany	76	57	1
Spain	9	—	—
Total:	**422**	**285**	**28**

M&S stores range in size from approximately 130 m^2 to 300 m^2, with the majority of stores ranging from approximately 180 m^2 to 220 m^2. M&S stores are generally laid out in a standard format and stock an average of approximately 2,750 SKUs throughout the year. Most of our M&S stores are located in areas of high density such as prime town and city centers with the exception of approximately half of our French stores, which are located in out-of-town shopping centers.

Hunkemöller stores are designed in a single format, with our stores generally ranging in size from approximately 120 m^2 to 140 m^2. Most stores stock an average of approximately 9,000 SKUs throughout the year. Hunkemöller stores are generally located in highly sought after commercial areas within prime town and city centers.

Claudia Sträter stores are categorized in three different layouts, ranging in size from approximately 120 m^2 to 400 m^2, and stock an average of approximately 2,800 SKUs throughout the year. Claudia Sträter stores are located exclusively in prime town and city centers.

Franchises

As at August 1, 2004, we operated directly 697, or approximately 95%, of our Apparel stores. The remaining 38 stores, all of which are Hunkemöller stores located in the Netherlands, were operated by 11 franchisees, generally pursuant to standardized franchise agreements. Our Hunkemöller franchisees pay us a fee based on their turnover.

Supply chain

Our Apparel retail formats sell almost exclusively private label products. Accordingly, each of M&S, Hunkemöller and Claudia Sträter seeks to control the majority of its supply chain in order to assure, among other things, proper merchandising, quality control and timely delivery of products to its stores. Each of our Apparel retail formats has departments, located at their respective head offices in the Netherlands, dedicated to styling, purchasing, merchandising, and marketing. Our Apparel retail formats outsource the manufacturing of substantially all of their products to third parties.

Starting in Fiscal 2002, M&S initiated a program for optimizing its supply chain management with the aim of increasing stock turnover, reducing mark-downs, and ultimately increasing its profitability. As part of this program, M&S reduced the number of its suppliers from approximately 200 to approximately 110 (including third party manufacturers of its apparel collections, as well as fabric and garment accessory suppliers) as at August 1, 2004. In addition, in December 2003, M&S completed the upgrade of its supply chain management software, which has improved its inventory management. M&S has also increased the proportion of products contracted for manufacturing in China in order to reduce its sourcing costs. M&S currently operates three distribution centers from which all of its products are delivered to its stores by third party contractors. These distribution centers are located in southern France, in northern France and in Amsterdam.

Hunkemöller is also optimizing its supply chain management process. Starting in Fiscal 2002, Hunkemöller upgraded its supply chain management software, which resulted in improved stock turnover, increased product availability and lower head office costs. As at August 1, 2004, Hunkemöller had approximately 60 suppliers, including manufacturers and fabric and garment accessory providers. Hunkemöller sources most of its products in Asia. Hunkemöller currently operates one distribution center in the Netherlands, from which all of its products are delivered to its stores. We believe that this distribution center has sufficient capacity to cover the distribution needs related to planned store openings.

Although Claudia Sträter has not had to make significant changes to the management of its supply chain due to its smaller size and limited expansion in recent years, we are introducing new supply chain management software aiming to improve tracking of stock and stock turnover. As at August 1, 2004, Claudia Sträter had approximately 80 suppliers, including manufacturers and fabric and garment accessory providers. Claudia Sträter generally sources materials from European producers and manufactures its apparel in Asia. Claudia Sträter currently operates one distribution center in the Netherlands from which it delivers all of its products to its stores and its wholesale customers.

Advertising and marketing

Apparel's advertising and marketing strategy focuses on using the stores, many of which are located in high traffic retail areas, as primary communication vehicle (including with large posters and price signals). In addition, we make use of limited advertising in women's magazines and billboards for M&S; direct distribution of leaflets for Hunkemöller; and direct mail and newspaper advertising for Claudia Sträter. Claudia Sträter also advertises in some women's fashion magazines in the United Kingdom, where third party vendors sell Claudia Sträter branded products.

Hunkemöller is evaluating a rebranding strategy in order to improve the effectiveness of its expansion plans.

Competition

The Dutch apparel market is a mature market characterized by a high store density and a relative stability of the competitive environment. In this market, M&S has a unique position as a discount boutique for women in the over 35 age group. Nevertheless, the chain is exposed to competition from

C&A, Miss Etam, Vögele and H&M as well as from independent retailers. In France as well, in spite of the competition from Pimkie, H&M, C&A, Camaieu and J. Riu, M&S's offering is clearly differentiated and we expect to benefit from the same differentiation in Spain. By contrast, in Germany, M&S faces significant competition from C&A, Biba and Wehmeyer in an environment that is heavily focused on discount.

Hunkemöller competes with other lingerie retailers, such as Etam Lingerie, Women's Secret, Livera, Palmers and Lindex, and with other lingerie brands such as Triumph.

Claudia Sträter, positioned as a niche player, faces its most direct competition from a diverse group of smaller, independent retailers. In addition, Claudia Sträter competes with recognized brand names, such as Max Mara, Hugo Boss and Ralph Lauren, which are sold through various outlets.

Our Bijenkorf Operations

Bijenkorf is the only national up-market department store in the Netherlands operating 12 department stores and one outlet store in the Netherlands as at August 1, 2004. Bijenkorf offers a wide variety of up-market products, including apparel, cosmetics, accessories, household goods, leisure goods and fine foods, with international premium brands and A-brands as well as private label brands.

Bijenkorf generated approximately 25% of its apparel net turnover (which represents approximately 60% of Bijenkorf's total net turnover) from the sale of private label merchandise for Half Year 2004, but we are seeking to increase this level to approximately 30% over the next few years. Bijenkorf stores, which are located in the centers of the larger cities in the Netherlands, range in size from approximately 3,000 m^2 to 20,000 m^2, representing a total retail space of approximately 110,225 m^2 as at August 1, 2004. Bijenkorf also offers business-to-business gifts in a service referred to as "Bijenkorf Business Cadeau" which we are currently considering discontinuing. We operate directly all of our Bijenkorf stores, without any franchised operations. Bijenkorf's average net sales per m^2 was €3,871 in Fiscal 2003 and €3,752 in the Last 12 Months.

Store portfolio

As at August 1, 2004, Bijenkorf had 12 department stores and one outlet store in the Netherlands. We are currently considering opening a further outlet store in the Netherlands. Our Bijenkorf stores are split into three categories based on retail space. Our three flagship stores, all owned, are located in Amsterdam, Rotterdam and The Hague, and range in size from approximately 15,000 m^2 to 20,000 m^2, each featuring an extensive range of products of approximately 350,000 SKUs, on average, over the course of a year. Our six medium sized stores range in size from approximately 7,500 m^2 to 9,000 m^2, and generally offer the same product range as our flagship stores, while our three smaller fashion stores (of approximately 3,000 m^2), focus primarily on men's and women's apparel.

Our flagship store located in Amsterdam, the oldest and largest Bijenkorf store, is currently subject to a major refurbishment and expansion project, which started in the first quarter of 2003. With this project, which consists of several stages and is expected to be fully completed by mid-2006, the Amsterdam store will be enlarged by 3,000 m^2 (to 20,000 m^2) and will be fully redesigned in order, inter alia, to optimize women's and men's apparel offerings and add new services.

Supply chain

Bijenkorf's supply chain varies across its merchandise assortment, which includes branded as well as private label products. Bijenkorf has product category management teams, which include buyers, visual merchandisers, merchandise planners and supply chain specialists, for each of its six product categories. Bijenkorf controls most aspects of the supply chain for private label products, from their design and the selection of materials used in their production to contracting the manufacturing. The product category management teams focus primarily on concept building, merchandising and marketing for branded products. These product category management teams are all located at Bijenkorf's head office in Amsterdam.

A central replenishment system is used for ordering stock and uses daily sales information to help determine purchasing levels. Certain products, such as watches, small leather goods and certain jewellery, can be purchased and stocked quickly, while others have longer lead times. All of Bijenkorf's stores are supplied by its central distribution center located in the Netherlands.

Bijenkorf has approximately 900 suppliers, which are located predominantly in Europe and Asia. Bijenkorf's strong position as a retailer of branded products enables it to obtain particularly competitive terms with its suppliers. To the extent possible, we arrange for suppliers of branded products that fit within our store concept, such as Benetton and Esprit, to operate "store-in-store" retail operations as concessionaires. Under this arrangement, the suppliers undertake inventory risk on their own merchandise and staff the retail operation with their own employees and we receive a concession fee based on the concessionaire's turnover.

Advertising and marketing

Bijenkorf utilizes an extensive database of customer information that we have built by tracking purchases from approximately 400,000 holders (representing 280,000 addresses) of our existing loyalty store card, the BIJcard. This enables Bijenkorf to send targeted marketing materials to particular customer segments. For example, we send targeted brochures relating to men's apparel, women's apparel or other departments, as appropriate, to our customers. We do not generally advertise on television, with the exception of certain targeted advertisements, for example in advance of our annual autumn "Three Crazy Days" (*Drie Dwaze Dagen*) promotion.

As part of our regular promotional activities, we print approximately 1.2 million copies of our BIJmagazine and distribute them at least five times per year to our BIJcard holders and in our stores. In May 2003, Bijenkorf began the publication of a brochure in the layout of a newspaper called BIJnews (*BIJnieuws*), which is mailed to our BIJcard holders four times per year and is available in our stores, and which aims to attract customers through better price signalling. Customer feedback on BIJnews has been positive and we believe that the brochure has contributed to an increase in sales since its introduction.

Our BIJcard, which is utilized for approximately 30% of all Bijenkorf store purchases, is a dual MasterCard and store card, which allows our customers to use their BIJcards not only to make purchases at our stores, but also to purchase goods and services where MasterCard is accepted. Holders of our BIJcard receive early entry to store events, loyalty points, and discounts on certain merchandise. Administration of the BIJcard is conducted by International Card Services B.V., a subsidiary of Fortis Bank, which assumes the credit risk on BIJcard transactions.

We also continuously improve the look and feel of Bijenkorf's website and Internet shop, which are integrated into Bijenkorf's multi-channel strategy. Bijenkorf's main target audiences for its Internet channel are men and younger customers, and the selected product range offered will be expanded with a complimentary service package targeted to these groups (e.g. a ticket reservation service for special events such as concerts).

Competition

Besides Bijenkorf, V&D is the only other department store chain operating in the Dutch non-food retail market. Although there is some overlap between Bijenkorf and V&D in certain product areas, we believe that Bijenkorf and V&D do not compete substantially with each other because Bijenkorf is focused on the up-market segment and V&D on the middle-market segment. Bijenkorf's competitors vary by merchandise category and are primarily the specialist retail stores operating in each of its product categories.

Our V&D Operations

V&D is the only national middle-market department store chain in the Netherlands operating 60 stores and 16 stand alone La Place restaurants, as at August 1, 2004. V&D offers a wide variety of products in several categories, including apparel, lifestyle and home entertainment. We estimate that V&D receives on average 1.8 million visitors per week.

V&D sells most of its products, especially in apparel, under its own labels (approximately 80% of V&D's annual apparel net turnover is generated by private label merchandise, which represented approximately one-half of V&D's total net turnover for Half Year 2004). In addition, most V&D stores also include well known and popular restaurants (operating under the name La Place) and bakery departments (operating under the name Le Marché). We also operate an additional 16 stand-alone La Place restaurants. We are currently in discussions with an interested party with respect to possible developments for these 16 stand-alone restaurants. In aggregate, V&D's La Place restaurant and Le Marché bakery operations account for approximately 15% of V&D's net turnover. V&D's 60 stores range in size from approximately 3,000 m^2 to 16,000 m^2, which represents a total retail space as at August 1, 2004 of approximately 328,100 m^2. We operate directly all of the V&D stores without any franchised operations. V&D's average sales per m^2 was €2,307 in Fiscal 2003 and €2,175 in the Last 12 Months.

Store portfolio

As at August 1, 2004, V&D had 60 stores in the Netherlands and 16 stand alone La Place restaurants. All of our V&D stores are located in the primary central shopping areas of the cities and towns that they serve. As part of the restructuring of V&D, as discussed below, we are in the process of implementing a standardized approach that classifies V&D stores into three categories (core, compact and flagship). Each category will have a standardized store layout and product range. The size of a core store category will be approximately 6,000 m^2 to 8,000 m^2. Core stores will focus on a number of anchor departments. Compact stores will be stores of up to 6,000 m^2 and will have fewer departments but will generally carry the same range of merchandise as core stores, within particular anchor departments. Flagship stores, all of which will be located in major Dutch cities, will generally be more than 8,000 m^2 in size.

Supply chain

As part of V&D's restructuring, we are in the process of improving our supply chain by integrating the buying, the supply chain management and the operational functions. In particular, we have started to implement the SAP retail system and a sales-based bonus scheme for our suppliers in order to optimize deliveries. In addition, we have reduced the number of suppliers by approximately 64% from 3,600 to 1,300 by the end of Half Year 2004. See below "—Our V&D Operations—The V&D Restructuring."

Advertising and marketing

As part of the V&D restructuring, we have significantly changed our marketing and promotional campaigns to improve V&D's image. Given the relatively high levels of foot traffic that we enjoy in our V&D stores (approximately 1.8 million visitors per week), we expect that changes in our product offering and arrangements will be communicated to our existing customer base directly each time they visit a V&D store. We currently distribute approximately four million brochures on a bi-weekly basis within selected catchment areas.

The V&D Restructuring

Our V&D department store activities experienced operating losses of €35 million in Half Year 2003 as a result of fundamental problems affecting the business. In response, we decided to replace the chairman and director of operations of V&D by respectively Mr. Dirk Goeminne and Mr. Eugène Randag who previously held the same positions at HEMA. The management team led by Mr. Goeminne, who already successfully engineered the turnaround of HEMA, has developed and is currently implementing a comprehensive turnaround strategy for V&D, that was announced in September 2003. In relation to the restructuring plan we took an €80 million one-time reorganization charge in the second half of Fiscal 2003 consisting of a €60 million headcount reduction charge and a €20 million charge for store closures.

This restructuring plan, which has been approved by the Workers' Council, targeted significant cost savings, primarily related to a headcount reduction at V&D's head office and in the stores. As at August 1, 2004, most of these savings were achieved and the headcount was reduced by approximately 1,800 in July 2004 from a total of 8,500 FTE's.

In addition, we closed 12 V&D stores during Half Year 2004 and are currently developing a standardized approach for our stores that will be classified in three categories: core, compact and flagship stores. Also, our capital expenditures were significantly reduced from €29 million for Half Year 2003 to €11 million for Half Year 2004.

The V&D restructuring and operating cost improvements are substantially completed with annualized cost savings already achieved of approximately €50 million as of the end of Half Year 2004, and our management team is therefore now focused on improving gross margin and on reinvigorating like-for-like sales growth. This will be achieved in part by improving our product offering and assortment. As an example, we will aim to increase our apparel net turnover as a percentage of total net turnover and to make our product offering more coherent. We will also increase the frequency of change in the collections by ordering smaller lots on a more frequent basis, and will improve the styling function. We are also considering discontinuing certain product ranges that we believe no longer fit within our department store format, such as furniture. In addition, we are reviewing our advertising and branding strategy and as part of this will rationalize our private label portfolio. We also believe that standardizing our store categories will allow us to simplify our supply chain by reducing the number of SKUs from 400,000 to a target 250,000 and to further reduce the number of our suppliers. In addition, we believe a standardized store format and more coherent product offering will assist in improving V&D's image.

We believe that, despite recent difficulties, V&D occupies a viable competitive position in the Dutch non-food retail market as the only middle-market department store chain. Similar department stores, such as Debenhams in the United Kingdom, have proved that the middle-market department store concept can be profitable through proper execution of the business. V&D is currently the only department store occupying this market position in the Netherlands. In addition, we believe that our store portfolio (including associated attractive rental contracts), with prime locations in Dutch town and city centers, provides us with a competitive advantage given the limited availability of high quality retail locations in the Netherlands.

Competition

Besides V&D, Bijenkorf is the only other department store chain operating in the Dutch non-food retail market. Although there is some overlap between V&D and Bijenkorf in certain product areas, we believe that V&D and Bijenkorf do not compete substantially with each other because Bijenkorf is focused on the up-market segment and V&D on the middle-market segment. V&D's competitors vary by merchandise category and are primarily the specialist retail stores operating in each of its product categories.

Our Consumer Electronics Operations

Our Consumer Electronics business unit operates five retail formats (Dixons, Dynabyte, It's, Modern Electronics and Prijstopper) that cover most segments of the consumer electronics market: multimedia, computer, digital photography, household electronics and brown and white goods. We are currently in discussion with interested parties with respect to the sale of all or part of our Consumer Electronics business unit, which may or may not lead to an agreement.

Our Consumer Electronics business unit operates 314 stores in the Netherlands and three in Belgium, as at August 1, 2004. We believe that we are among the leading consumer electronics retailers in the Netherlands. Dixons and Dynabyte are headed by one management team but operate independently and have distinct market positioning. It's, Modern Electronics and Prijstopper also operate under a single management team but operate independently at the commercial level. Our Consumer Electronics stores are up to approximately 2,800 m^2 in size, representing a total retail space as at August 1, 2004 of approximately 111,650 m^2. As at August 1, 2004, we operated directly all of the Consumer Electronics stores, with the exception of six Dixons stores which are operated by franchisees. The Consumer Electronics business unit's average sales per m^2 was €5,338 in Fiscal 2003 and €5,468 during the Last 12 Months.

Dixons is primarily focused on leisure electronics, offering a varied assortment of personal computers, computer accessories, telecommunications products, cameras, game consoles, software, camcorders and portable audio equipment through 139 stores in the Netherlands and three in Belgium, as at August 1, 2004. Our Dixons stores operate under a permanent licence which allows us to use the Dixons name in the Netherlands and Belgium. We pay no royalties under this licence.

Dynabyte is a specialist store for computers and peripherals with 38 stores in the Netherlands, as at August 1, 2004. Dynabyte has experienced and knowledgeable sales staff in this specialist sector.

IMpact (which comprises It's, Modern Electronics and Prijstopper) is a multi-format retailer of household electronics and brown and white goods and offers home cinema products, electrical household equipment products, as well as a limited range of computers and computer accessories, through 137 stores in the Netherlands as at August 1, 2004.

Store portfolio

The following table shows the breakdown of Consumer Electronics' stores by retail format, for Half Year 2004:

Retail Format	Number of Stores
Dixons	142
Dynabyte	38
It's	72
Modern Electronics	53
Prijstopper	12
Total:	**317**

Dixons stores have an average size of approximately 125 m^2 and stock an average of approximately 4,000 SKUs. Dynabyte stores have an average size of approximately 175 m^2 and stock an average of approximately 2,200 SKUs. Although not required by the terms of the licence with Dixons UK, our Dixons stores are modelled to have a similar style and feel to Dixons stores in the United Kingdom. While Dixons is positioned as a high technology retailer on prime high street locations, Dynabyte stores generally occupy secondary locations on, and adjacent to, high streets. It's stores range in size from approximately 200 m^2 to 2,100 m^2 and stock an average of approximately 5,500 SKUs. Modern

Electronics stores range in size from approximately 200 m^2 to 2,800 m^2 and stock an average of approximately 5,000 SKUs. Prijstopper stores range in size from approximately 250 m^2 to 650 m^2 and stock an average of approximately 1,250 SKUs.

Supply chain

The combination of It's, Modern Electronics and Prijstopper into IMpact included the integration of their respective supply chain processes. Through this process we unified all of their respective support, back-office, purchasing and logistics functions. It's, Modern Electronics and Prijstopper are all now supported by one IT platform, which utilizes SAP software, one centralized distribution and delivery center and two additional delivery centers, all of which are located in the Netherlands. Dixons and Dynabyte manage their supply chain processes separately with their own back offices, IT platforms and distribution centers.

Dixons and Dynabyte have approximately 110 and 30 suppliers, respectively. It's, Modern Electronics and Prijstopper, together, have 60 suppliers. By combining the supply chain management of It's, Modern Electronics and Prijstopper, we have been able to improve purchasing terms with our suppliers.

Advertising and marketing

Consumer Electronics' advertising and marketing strategy focuses on brochures and leaflets as well as the Internet. It's and Modern Electronics print and home deliver 4.2 million and 3.4 million leaflets, respectively, on a bi-weekly basis to potential customers. Dynabyte prints and distributes approximately 2.7 million brochures 13 times per year, while Dixons prints and distributes approximately 4 million brochures on a monthly basis. Each retail format also uses the Internet to market and sell its products.

Competition

Dixons, Dynabyte and IMpact are leading players in the Dutch electronics retailing market. In this market, our principal competitors vary by format. Dixons and Dynabyte compete principally with non-chain retailers and with chain stores such as Vobis and MediaMarkt. They also compete with online retailers such as Dell, Compaq and Amazon. It's and Modern Electronics compete principally with MediaMarkt, United Retail, Expert and BCC as well as non-chain retailers of general consumer electronics products in the Netherlands.

Property

In addition to our six retail business units, we operate directly or through franchises a portfolio of 1,785 stores in the Netherlands (1,168), Belgium (289), France (153), Germany (137), Denmark (19), Luxembourg (10) and Spain (9), representing a net selling space of approximately two million square meters. In total, we own 82 stores, of which 71 stores are owned by our Propcos. The properties owned by the Propcos are subject to a first priority mortgage under the Mortgage Loan and a second priority mortgage under the Senior Credit Facilities. Our DIY and Consumer Electronics business units directly own, in aggregate, 11 stores.

Properties owned

As at August 1, 2004, our Propcos (HEMA Vastgoed B.V., Bijenkorf Vastgoed B.V., Bijenkorf Vastgoed II B.V., V&D Vastgoed B.V. and Mavoma B.V.) owned and managed 71 HEMA, Bijenkorf and V&D stores and three parking lots. The book value of these properties was approximately €455 million and their market value was approximately €801 million at Half Year 2004. The Propcos are "Unrestricted Subsidiaries" under the terms of the Indenture and are not subject to the restrictive covenants of the Indenture. See "Description of Certain Indebtedness."

In addition to the properties owned by our Propcos, our DIY and Consumer Electronics business units own directly nine and two stores, respectively.

We currently have no plans to buy further properties and plan to effect organic expansion of the store portfolios of various business units by entering into lease agreements with third parties.

Properties leased

Our Propcos lease out the 71 stores and the three parking lots they own to HEMA, Bijenkorf and V&D for an aggregate expected rental income of €65 million for Fiscal 2004. See "The Acquisition, the Property Transaction and Related Transactions."

We also lease 1,383 stores from third parties representing a net aggregate annual rental payment on leased properties of approximately €222 million for the Last 12 Months. The typical length of a lease for new stores depends on the size and location of the property. In general, our specialty stores have leases of five years, generally with an extension option of five years. Leases on larger stores, such as department stores and HEMA stores, generally range from ten to 15 years, and typically have extension options of ten years. Rents on the stores that we lease are subject to annual price indexing provisions. Our policy has been to cap these price-indexing provisions, if possible.

Our in-house property department targets locations for new store openings, liaising with the management of the business units and utilizing geographic databases in order to determine which locations will be most appropriate for new stores. When we have targeted a location for opening a new store, we rely on our own resources as well as on experienced national and regional real estate agents and brokers to locate particular sites. Once a site is identified and the feasibility of the new store assessed, we submit a store opening proposal to the business unit's operational board of directors, as well as to our Board of Management, for approval. We generally seek to ensure that leases, and other development agreements, comply with industry standards.

Environmental Matters

We are subject to a broad range of European Union, national and local environmental laws and regulations in each of the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, air emissions, asbestos, noise, wastewater and solid waste discharges, the protection of employee health and safety, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental contamination. We could therefore be exposed to costs and liabilities, including liabilities associated with divested assets and past activities, under environmental laws. In most of the jurisdictions in which we conduct our operations, we are subject to obligations to obtain environmental permits, licenses and/or authorizations, or to provide prior notification to the appropriate authorities. Our objective is to comply in all material respects with applicable environmental and pollution control laws, and all related permit requirements.

We record what we believe to be appropriate reserves for such environmental risks when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated. However, it is often difficult to quantify environmental liabilities, so we may need to revise our current reserves to address all of our current environmental liabilities.

We believe that we are currently in substantial compliance with all applicable environmental and safety regulations. To date, we have not been subject to any material environmental claims. These environmental, health and safety laws and regulations are constantly changing, however, as are the priorities of those who enforce them. We cannot assure you that environmental conditions relating to any of our prior, existing or future properties will not have a material adverse effect on our business, financial condition or results of operations. See "Risk Factors—Risks Relating to Us and Our

Business—Our properties are subject to risks that could have a material adverse effect on our operations.”

Employees

We had on average 26,740 FTEs during Half Year 2004. The following table shows the breakdown of our average FTEs by business unit during Half Year 2004:

	FTEs
HEMA	5,633
V&D	7,399
Bijenkorf	2,684
DIY	5,039
Apparel	3,475
Consumer Electronics	1,973
Other activities/holding companies	537
Total:	**26,740**

Most of our employees at each of our business units are covered by three-year collective labor agreements. We believe that our relationships with our employees at each business unit are generally good.

Pensions

Pension plan

As of February 1, 2004, the number of policyholders under Vendex KBB’s main pension fund, was approximately 87,000, consisting of approximately 32,000 active members, 40,000 paid-up members, and 15,000 retired members. The funding of the scheme is determined by a finance agreement between Vendex KBB and the pension fund, and should at least cover the actual annual costs of pension accrued and administration. The funding itself is provided by contributions made by both Vendex KBB and the covered employee and is determined as a percentage of the relevant employee’s wages, after deducting a hurdle amount which is revised annually. The division of the contribution between Vendex KBB and the employee is set out in a collective labor agreement.

The coverage funding ratios of pension plans throughout the Netherlands, including Vendex KBB’s, have been adversely affected by recently volatile and declining equity markets. Vendex KBB’s main pension fund, *Stichting Pensioenfonds Vendex KBB*, had a coverage funding ratio of 103% of its pension obligations as of February 1, 2004. Pursuant to a recovery plan, approved by the Dutch pension regulator (*Pensioen & Verzekeringskamer*), Vendex KBB is required to raise this coverage funding ratio to 126% by 2014. To achieve this goal, Vendex KBB has increased its total cash contributions from 12.6% in 2001 to 15.0% in 2002 and to 17.6% in 2003 of the total wages for the main pension plan (after applying a non pensionable salary amount currently set at €16,543 per employee) and from 3% to 4% in 2003 of the total wages for the early retirement pension plan. In addition, as of January 1, 2004, Vendex KBB raised the early retirement age from 62 to 63. If despite these additional contributions the pension fund’s funding levels fail to improve, Vendex KBB may have to negotiate additional changes to its pension plan with the trade unions and may need to obtain further approvals from the Dutch pension regulator. Possible changes thereto could include a one-time cash injection into the fund, an increase in Vendex KBB’s ongoing cash contributions, an increase in the employees’ cash contributions, a suspension or reduction of future indexation or, in extreme cases, a reduction of benefits. If Vendex KBB were required to increase its cash contribution into the pension scheme, either as a one-time injection or on an ongoing basis, such payments could negatively impact our ability to conduct our operations and service our debt obligations, including the notes.

Accounting treatment of employee benefits and pension liabilities

With respect to the main pension plan, Vendex KBB does not currently report on its balance sheet the net amount of pension liabilities and assets. The amount of pension expense recognized in the profit and loss account generally equals the amount payable to such plan pursuant to the existing funding agreements.

The issuer accounts for post employment benefits in accordance with the new Annual Reporting Guideline 271 (2004). Under this new guidance, accounting for the resulting liability is substantially consistent with IFRS.

Under IFRS, which we are currently considering adopting, and the revised rules of Dutch GAAP which will take effect on January 1, 2005, the recognition of a provision for pensions (such as sick pay, early retirement payments and anniversary payments), depends on whether the plan is classified as a defined contribution plan or a defined benefit plan. Under a defined contribution plan, the reporting of our pension obligation would not be materially different, whereas under a defined benefit plan, we would be required to establish a provision in the amount equal to the difference between (i) the estimated future employee benefits relating to past employment periods of employees and (ii) the fair value of the pension plan assets. In addition, IFRS and the revised Dutch GAAP require the related amount of pension expense to be determined using a specific allocation method, which may be higher than amounts funded in the same year. As a result, the profit and loss treatment will be different than that currently recorded by Vendex KBB. This profit and loss accounting treatment will have no impact on actual cash payments. We are therefore seeking to modify our main pension plan, which currently could be classified as a defined benefit plan, by fixing our pension contributions and thereby making it a defined contribution plan. This would also minimize the extent of our actuarial and investment risk in respect of pension obligations. In order to do so, the new pension plan, which may only be applicable to our active members going forward, will have to be agreed with the pension fund, the trade unions, the Dutch pension regulator and the Dutch tax authorities. Vendex KBB and the trade unions agreed in principle to conduct further consultations and investigations in order to mitigate the consequences implied by the accounting change and aim at reaching an agreement by 2005. See “Annex A—Summary of Significant Differences Between Dutch GAAP and IFRS—Employee benefits and pension liabilities.”

Insurance

We maintain insurance to cover risks incurred in the ordinary course of our business, including general liability, property coverage and workers’ compensation insurance. We believe that our insurance coverage is suitable for a retailer of our size in the retail markets in which we operate.

Legal Proceedings

We are party to a number of legal proceedings, most of which are routine and all of which are incidental to our business. Some matters involve claims for large amounts of damages as well as other relief. Other than as described below, we believe that, if any or all of these legal proceedings or investigations are determined against us, they will not 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 with certainty, and we offer no assurances in this regard.

Litigation Relating to the Merger of Vendex International N.V. and N.V. Koninklijke Bijenkorf Beheer KBB

We were formed through the merger of Vendex International N.V. and N.V. Koninklijke Bijenkorf Beheer KBB in 1999. The merger was effected in two stages. First, Vendex International N.V. made a public offer for the outstanding shares of N.V. Koninklijke Bijenkorf Beheer KBB; subsequently the two entities were merged pursuant to a statutory proceeding through which remaining N.V. Koninklijke Bijenkorf Beheer KBB shareholders received shares in Vendex KBB. Leyinvest, a subsidiary of Blokker and at the time a N.V. Koninklijke Bijenkorf Beheer KBB shareholder, declined to participate in the public offer, and received shares pursuant to the statutory proceeding. On November 11, 2001, Leyinvest initiated proceedings against us for monetary damages of NLG 17,902,820 (approximately €8,123,945) plus interest and legal costs, alleging that the exchange ratio of N.V. Koninklijke Bijenkorf Beheer KBB shares for Vendex KBB shares pursuant to the statutory merger (the "Exchange Ratio") was unfair. In an interim judgement on February 6, 2002, the court of Amsterdam ruled that the process employed in arriving at the shareholders' resolution to merge Vendex International N.V. and N.V. Koninklijke Bijenkorf Beheer KBB was in conflict with principles of reasonableness and fairness, and that an assessment should be carried out in order to determine whether Leyinvest had suffered damages as a result thereof. The court also ordered that experts be nominated to report on the defensibility, by then-current standards, of the Exchange Ratio. We have disputed Leyinvest's claim and have appealed this interim judgement.

Employment Litigation

In 2001, 19 former female employees of HEMA, Bijenkorf and Amici started a joint procedure alleging that they had been unfairly excluded from the applicable pension plans in the 1970s and 1980s. In a verdict by the Amsterdam Court this claim was only partially successful for employees, resulting in a limited award. The employees have appealed the verdict. The final outcome of the proceeding will be binding on all employees in similar circumstances regardless of whether they have filed a claim.

Following a claim made by a retired female employee of Bijenkorf, the Dutch Equal Treatment Commission (the "Commission") determined in early March 2004 that the use of the "married couples threshold" (*gehuwdenfranchise*) by Vendex KBB and its main pension fund constitutes an unlawful discrimination on the basis of gender since the total benefits provided by Vendex KBB and the state pension scheme are lower for employees living in a dual income couple compared to single employees or employees living in single-income couples and therefore adversely affect women as they are statistically more likely to be in dual-income couples. The use of the married couples threshold was discontinued by Vendex KBB's main pension fund in 2002. Although the Commission's ruling is unenforceable, it could potentially be invoked against Vendex KBB and/or its pension funds in a judicial action by the claimant or any other current or past employee of Vendex KBB. If a court were to rule that the married couples threshold is discriminatory, it is likely that the court would consider damages (or an obligation to recalculate the pension accruals) that have arisen since May 17, 1990, which is the date on which case law of the European Court of Justice (the Barber case), made equal treatment on the basis of gender compulsory. Any such court ruling could negatively impact either the funding position of the pension scheme and/or our ability to service our debt obligations, including the notes. However, we believe that the Commission's decision is flawed and therefore that a Dutch court would be unlikely to apply the same reasoning.

MANAGEMENT

In accordance with Dutch law, Vendex KBB has a two-tiered management system consisting of a Supervisory Board and a Board of Management. The Board of Management serves the primary executive function, managing our daily operations. The Supervisory Board supervises the policies of the Board of Management and the general course of corporate affairs. The Supervisory Board is responsible for acting in the best interests of Vendex KBB. It cannot exercise executive powers but has certain veto rights and may suspend or dismiss the members of the Board of Management. No person may be a member of both the Supervisory Board and the Board of Management.

Supervisory Board

Name	Age	Title
vacancy	—	Chairman
Todd Fisher	39	Vice Chairman
John Pfeffer	35	Member
Dominic Murphy*	37	Member
Robert Van Goethem*	43	Member
Erik Thyssen	42	Member
vacancy	—	Member
vacancy	—	Member

* Pending completion of necessary procedures with the Workers' Council and other corporate formalities.

Todd Fisher was appointed Vice Chairman of the Supervisory Board in 2004. Prior to joining Kohlberg Kravis Roberts & Co. in 1993, Mr. Fisher was with Goldman, Sachs & Co. in its Corporate Finance Department. Mr. Fisher has been an executive of KKR since 1993 and a member of KKR & Co. LLC since 2001. Transactions in which Mr. Fisher has participated include Accuride, Bristol West, Merit Behavioral Care, Alea Group Holdings AG, Willis Group Limited and Rockwood Specialties, Inc. He serves on the boards of directors of Rockwood Specialties Inc., Alea Group Holdings Ltd, Bristol West Group and Accuride Corporation. He has a B.A. from Brown University, an M.A. in International Affairs from Johns Hopkins University and an M.B.A. from the Wharton School at the University of Pennsylvania.

John Pfeffer was appointed to the Supervisory Board in 2004. Prior to joining Kohlberg Kravis Roberts & Co. in 2000, Mr. Pfeffer was Chairman of the Management Board of Groupe Allium S.A., the largest computer reseller and service provider to corporations and government in France, Italy and Spain. Before that, he was with McKinsey & Co in Paris and Brussels. He serves on the board of directors of Tenovis AG. He has a B.A. from Duke University and an M.B.A. from the Kellogg Graduate School of Management at Northern University.

Dominic Murphy is expected to be appointed to the Supervisory Board of Vendex KBB once certain necessary procedures with the Workers' Council and other corporate formalities are completed. Mr. Murphy is a Partner at Cinven. Mr. Murphy joined Cinven in 1996 and has since been involved in numerous Cinven led buyouts including Comax, General Healthcare, Peacock, William Hill, United Biscuits, National Car Parks and Fitness First. Mr. Murphy is a Director of United Biscuits and Fitness First. Before joining Cinven, Mr. Murphy worked for private equity company 3i for three years. Before this, he qualified as a Chartered Accountant at Arthur Andersen and worked in Fund Management at Charterhouse Tilney. Mr. Murphy holds a degree in Economics from Liverpool University.

Robert Van Goethem is expected to be appointed to the Supervisory Board of Vendex KBB once certain procedures with the Workers' Council and other corporate formalities are completed. Prior to joining Permira in 2000, Mr. Van Goethem was Director of the Leveraged Finance team at Salomon Smith Barney in London and also worked at Citibank, in London, and Chase Manhattan Bank, in New York. He has served on several boards throughout Europe including Saia Burgess Electronics (as observer), Kässbohrer Geländefahrzeug (as observer), University of Antwerp and Permira Conseil SAS. Mr. Van Geothem holds an MBA from the University of Chicago, Masters Degrees in Applied Economics and Law from the University of Louvain, and an undergraduate degree in Law from the University of Antwerp.

Erik Thyssen was appointed to the Supervisory Board in 2004. Prior to joining AlpInvest Partners in 2001, Mr. Thyssen was a member of the Executive Board of Fortis Bank Nederland. Before that, Mr. Thyssen worked for almost 15 years in commercial and investment banking in various European countries for the Generale Bank Group. Transactions in which Mr. Thyssen has participated include Cementbouw, Ontex, Medico and Vetco International. He serves on the board of directors of Ontex, Avantium and CR2. Mr. Thyssen holds a Master Degree in Law from the Antwerp University and participated in the 1998–1999 CEDEP-INSEAD General Management program.

Appointments to fill the vacancies are expected to be made in the next meeting of shareholders following completion of the Worker's Council consultations. Two members of the Supervisory Board will be nominated by the Workers' Council.

The Supervisory Board has an audit committee, a compensation committee and a nominating committee.

Board of Management

Name	Age	Title
P.E. (Ed) Hamming	56	Chairman
R.M. (Ronald) van der Mark	38	Member
D.R. (Dirk) Goeminne	49	Member

P.E. Hamming, Chief Executive Officer of Vendex KBB, has been a member of the Board of Management since 1990 and its Chairman since 2000. Mr. Hamming is currently responsible for the DIY and Consumer Electronics business units. He was formerly Chairman of Vendex KBB Speciality Stores and Chairman of V&D, and is currently member of the Advisory Council of ABN AMRO, and a member of the Supervisory Board of Ven Management en Beheer B.V.

R.M. van der Mark, Chief Financial Officer of Vendex KBB, has been a member of the Board of Management since 2004. Mr. van der Mark is currently responsible for all financial and administrative functions of Vendex KBB. Mr van der Mark has been controller at several companies and is former Chief Financial Officer of Cementbouw Beheer B.V., Cementbouw Handel & Industrie (Holdings) B.V. and Cementbouw B.V., a leverage buyout company.

D.R. Goeminne, Chief Operating Officer of Vendex KBB, was formerly chairman of HEMA and was appointed as Chairman of V&D in July 2003, where he is responsible for, inter alia, implementing the restructuring plan. Mr. Goeminne has been member of the Board of Management since 2004 and is currently responsible for HEMA, V&D, Bijenkorf and the Apparel business units. Prior to joining Vendex KBB, Mr. Goeminne worked with a number of international retailers, including ITC/Ideco, Femilux and WE International.

Management of our Operating Companies

Name	Age	Title
A.A. Walter	47	Chairman, DIY
A.R. van Zetten	41	Chairman, HEMA
C.H.M. Ernst	46	Chairman, Claudia Sträter
J.W.M. Holtel	57	Chairman, Hunkemöller
B.F. Koops	46	Chairman, M&S
J.C. Berger	58	Chairman, Bijenkorf
D.R. Goeminne	49	Chairman, V&D
J. Lesterhuis	62	Chairman, Dixons Group
J.A.A.M. van Woerkom	56	Chairman, IMpact

A.A. Walter has been Chairman of DIY since 1998. He was formerly CFO and controller of Praxis.

A.R. van Zetten has been Chairman of HEMA since September 2003. He was formerly Director of the Albert Heijn supermarket chain and was Director of our Praxis retail format from 1998 until 2001, and held several other management positions at HEMA from 1995 to 1998.

C.H.M. Ernst has been Chairman of Claudia Sträter since 2003. He formerly held several international management positions at fashion businesses.

J.W.M. Holtel has been Chairman of Hunkemöller since 2003. He was formerly Chairman of Apparel, Chairman of Consumer Electronics, Chief Executive Officer of Hunkemöller and Purchasing Director at V&D.

B.F. Koops has been Chairman of M&S since 2004. He was director at HEMA since 1998 and formerly held several management positions at Bijenkorf and accountant and insurance companies.

J.C. Berger has been Chairman of Bijenkorf since 1997. He formerly held several management positions at Bijenkorf.

J. Lesterhuis has been Chairman of Dixons since 1992. He formerly held several management positions at V&D and Dixons.

J.A.A.M. van Woerkom has been Chairman of IMpact since 2001. He formerly held several management positions at other of our Consumer Electronics formats.

Remuneration

The objectives of our remuneration policy are to enable us to attract, retain and motivate highly competent executives to manage a complex international organization.

We believe that members of the Board of Management should be rewarded in line with good market practice in the industry, taking account of their international responsibilities and their performance as measured against predetermined targets, while recognizing the cultural and geographic diversity of our business.

We seek to provide members of the Board of Management with pensions and related benefits that are in line with good market practice for companies of comparable size in our industry. All of the members of the Board of Management, together with approximately 50 other managers, participate in the management participation plan described below. The members of the Board of Management are employed pursuant to permanent employment contracts which mandate a notice period prior to a member's resignation.

Remuneration of Members of the Board of Management

The members of the Board of Management received aggregate remuneration of €2.8 million in Fiscal 2003, consisting of €1.5 million in salary payments, €650,000 in bonus payments, compensation of tax and interest and €654,000 in pension payments.

Remuneration of Members of the Supervisory Board

The members of the Supervisory Board received €160,000 in aggregate remuneration in Fiscal 2003, which was not performance related.

We maintain directors' and officers' liability insurance.

Management Participation Plan

In connection with the Acquisition, we have recently implemented an equity plan (the "Management Participation Plan" or "MPP") under which approximately 50 top managers of our group, including the Board of Management of Vendex KBB, may acquire, through an investment in non-voting depositary receipts in a special purpose entity, an amount, specified individually based upon the participant's role within the management team, of equity and loan interests in a parent of the issuer (the "Plan Issuer") in a mix that includes proportionally more equity and less loan interests than the Consortium's investment mix. In addition, MPP participants have been given the opportunity to invest amounts in addition to the amount specified above in the same equity/loan interest mix as the Consortium.

The interests held pursuant to the Management Participation Plan are subject to transfer restrictions and to certain call and put options. In particular, the Consortium may invoke call option rights on a participant's interests to the extent that certain time- and performance-based criteria are not met or in the event that the participant ceases to be employed by the issuer or one of its subsidiaries. The performance-based criteria relate to the achievement of certain EBITDA, operating cash flow and net sales targets and are specified for each participating manager. To the extent that the time and performance criteria are met and a liquidity event takes place through a sale of shares of the issuer or any direct or indirect holding company thereof or any subsidiary thereof, or the business unit in which the participant is employed is sold, the participant managers would have the right to sell, or become obligated to sell, as the case may be, a pro rata portion of its retained interests under the Management Participation Plan.

PRINCIPAL SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our share capital as of the date of this offering memorandum. The amounts and percentages of partnership interests beneficially owned by each interest holder are reported on the basis of SEC rules governing the determination of beneficial ownership, and the information is not necessarily indicative of beneficial ownership for any other purposes. Under such rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of a security, or investment power, which includes the power to dispose of or direct the disposition of a security, and includes securities for which a person holds the right to acquire beneficial ownership within 60 days. We believe the beneficial owners named below have sole voting or investment power with respect to all partnership interests shown as beneficially owned by them.

Name of beneficial owner[(1)]	Percentage
KKR European Fund L.P.	32.5%
KKR Millennium (Overseas) Fund L.P.	12.5%
KKR Partners (International) L.P.	0.1%
Total KKR	**45.1%**
Third Cinven Fund (No. 1) Limited Partnership	2.9%
Third Cinven Fund (No. 2) Limited Partnership	3.1%
Third Cinven Fund (No. 3) Limited Partnership	0.8%
Third Cinven Fund (No. 4) Limited Partnership	3.5%
Third Cinven Fund (No. 5) Limited Partnership	2.6%
Third Cinven Fund Dutch (No. 1) Limited Partnership	0.1%
Third Cinven Fund Dutch (No. 2) Limited Partnership	0.5%
Third Cinven Fund Dutch (No. 3) Limited Partnership	0.3%
Third Cinven Fund US (No. 1) Limited Partnership	1.5%
Third Cinven Fund US (No. 2) Limited Partnership	2.5%
Third Cinven Fund US (No. 3) Limited Partnership	1.4%
Third Cinven Fund US (No. 4) Limited Partnership	1.7%
Third Cinven Fund US (No. 5) Limited Partnership	1.7%
Cinven Nominees Limited	0.2%
Total Cinven	**22.6%**
Permira Europe III L.P. 1	5.6%
Permira Europe III L.P. 2	16.2%
Permira Europe III GmbH & Co. KG.	0.2%
Permira Investments Limited	0.4%
Permira Europe III Co-Investment Scheme	0.1%
Total Permira	**22.6%**
AlpInvest Partners 2003 B.V.	8.4%
AlpInvest Partners Later Stage Co-Investments Custodian II B.V.	0.8%
AlpInvest Partners Later Stage Co-Investments Custodian IIA B.V.	0.1%
Total AlpInvest	**9.3%**
Management	**0.5%**

(1) Interests shown as beneficially owned are held of record by VDXK Acquisition B.V.

CERTAIN RELATIONS AND RELATED PARTY TRANSACTIONS

Advisory Services Agreement and Consulting Services

VDXK has entered into an advisory services agreement with the Sponsors, whereby the Sponsors provide VDXK and its affiliates with ongoing consulting and management advisory services for an annual fee of €2 million plus 5% of the aggregate fee paid in the preceding year (the "Advisory Services Agreement"). The Sponsors will also provide transaction advisory services in connection with any significant transaction involving VDXK or its affiliates including mergers, acquisitions, dispositions and private and public equity and debt capital raising transactions for which the Sponsors will receive a fee based on the gross transaction value of each transaction. The Advisory Services Agreement also requires VDXK to reimburse the Sponsors for all reasonable expenses incurred in connection with, and to indemnify the Sponsors for liabilities arising from, the agreement. The Advisory Services Agreement has been entered into for an initial period ending on December 31, 2005. Thereafter, the Advisory Services Agreement shall renew automatically on an annual basis and may be terminated by agreement of the Sponsors or upon certain conditions.

In addition, we have entered into a consulting agreement with Capstone Limited, a consulting firm affiliated with KKR. Pursuant to this consulting agreement Capstone Limited provides consulting services during 2004 for an annual fee of €0.7 million plus expenses.

Investors' Agreement

The Sponsors have entered into an Amended and Restated Investors' Agreement as of September 17, 2004 (the "Investors Agreement"), which sets out, among other things:

- the rights of each Consortium member to designate persons for appointment to the board of managers (or similar governing body) of Victoria Holding S.a r.l. ("Victoria Holding"), our ultimate parent, the issuer and Vendex KBB;
- agreements among the Consortium members relating to the governance of the group;
- transfer restrictions in respect of shares and other securities held by each Consortium member in Victoria Holding; and
- rights of each Consortium member to request and to participate in public offerings of shares following an initial public offering.

Board Composition

Pursuant to the Investors' Agreement, the Consortium members have the right to designate individuals for appointment to the board of managers of Victoria Holding as follows: (i) four individuals may be designated by KKR, (ii) two individuals may be designated by Cinven, (iii) two individuals may be designated by Permira and (iv) one individual may be designated by AlpInvest. KKR is entitled to select the chairman of the board of managers of Victoria Holding. Pursuant to the Investors' Agreement, the same designation rights apply in respect of the board of directors of Victoria Acquisition B.V., the immediate subsidiary of Victoria Holding. Victoria Acquisition B.V. is the corporate director of its direct and indirect subsidiaries above the level of Vendex KBB, including the issuer.

Pursuant to the Investors' Agreement, the parties thereto have agreed to use their best efforts to cause composition of the Supervisory Board of Vendex KBB shall be as follows: (i) two individuals designated by KKR, (ii) one individual designated by Cinven, (iii) one individual designated by Permira, (iv) one individual designated by AlpInvest, (v) two individuals having the special confidence of the central Workers' Council of Vendex KBB, and (vi) the chairman of the Supervisory Board of Vendex KBB. Pursuant to the Investors' Agreement, KKR is entitled to nominate the chairman and the vice-chairman of the Supervisory Board of Vendex KBB. The vice-chairman will serve as the chairman until appointment of the chairman (or, following appointment of the chairman, in his absence). For further information regarding the Supervisory Board and management of Vendex KBB, see "Management."

Governance and Voting Requirements

Pursuant to the Investors' Agreement, decisions to be made by the Consortium members or by the boards of managers (or similar governing body) of Victoria Holding and the other members of the group including the issuer and Vendex KBB are to be made by simple majority vote of the Consortium members of these boards of managers (as the case may be), except (i) amendments to the articles of association or other organizational documents of any member of the group or any transaction between any Consortium member or its affiliates and any member of the group will require the approval of 95% of the shares and other securities held by the Consortium members in Victoria Holding, and (ii) KKR has the right to approve any initial public offering on or prior to July 5, 2006.

Transfer Restrictions

The Consortium members have agreed not to transfer any of their shares or related securities in Victoria Holding other than in accordance with the Investors' Agreement. Prior to the earlier of an initial public offering and July 5, 2009, none of the Consortium members may transfer its shares or related securities in Victoria Holding to a third-party purchaser without the prior approval of a majority of the shares and other securities held by the Consortium members in Victoria Holding (excluding those held by the Consortium member proposing to make the transfer). If such approval is given, the Consortium member may transfer its shares and related securities to such third party purchaser, subject to the right of the other Consortium members to sell a pro-rata portion of their shares and other securities to the third party purchaser on the same terms and conditions ("tag-along" rights).

Following the earlier of an initial public offering and July 5, 2009, each Consortium member may transfer its shares and related securities in Victoria Holding to a third party purchaser, subject to tag-along rights of the other Consortium members. Following an initial public offering, these tag-along rights will apply only to transfers of listed shares by Consortium members that are not executed on a securities exchange. Following an initial public offering, each Consortium member may freely transfer its listed shares on a securities exchange, subject to certain volume limitations contained in the Investors' Agreement. All transfers following an initial public offering will be subject to any underwriters' lock-ups and applicable securities laws.

If one or more Consortium members (which, prior to July 5, 2007, must include KKR) holding more than 50% of the shares and related securities in Victoria Holding desire to transfer to a third-party purchaser more than 50% of the shares and related securities in Victoria Holding, then these Consortium members will be entitled to cause the related Consortium members to sell a pro-rata portion of their shares and other securities to the third-party purchaser on the same terms and conditions ("drag-along" rights). The drag-along rights will terminate following an initial public offering at such time as the Consortium members collectively cease to hold more than 50% of the listed shares.

Prior to July 5, 2005, KKR has the right to transfer a portion of its shares and related securities in Victoria Holding to a third-party purchaser without approval of the other Consortium members and not subject to tag-along rights, provided that, following the consummation of any such transfer, KKR and AlpInvest continue to hold at least 50% of the shares and related securities in Victoria Holding that were acquired by them at closing of the Acquisition.

Any third party purchaser that acquires shares and related securities from the Consortium members (other than in a public offering or in a transaction executed on a securities exchange) will be required to become a party to the Investors' Agreement.

Public Offering Rights

The Consortium members will not have the right to sell their shares in an initial public offering or in any primary offering of shares by the listed company following its initial public offering unless approved by a simple majority vote of the Consortium members, in which case, each Consortium member will have the right to sell a pro-rata portion of its shares in the initial public offering or such subsequent primary offering, subject to the managing underwriters' cut-backs and other customary limitations. Following the expiration of the managing underwriters' lock-up after an initial public offering, each Consortium member will have the right to request that the listed company act to permit a public offering of such Consortium member's listed shares, subject to limitations as to minimum size of the offering, frequency of the request in relation to any previous request and other limitations set forth in the Investors' Agreement. If requested by a Consortium member, then the public offering would be underwritten. Upon any requested public offering, the other Consortium members would have the right to participate in such public offering by selling their listed shares. The requesting Consortium member and each other Consortium member that elects to participate in the public offering would be subject, on a pro-rata basis, to any cut-back required by the managing underwriters.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The following summary of certain provisions of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Senior Credit Facilities

As part of the financing for the Acquisition, Victoria Acquisition II B.V., the issuer, VDXK and Vendex KBB and certain of their direct and indirect subsidiaries entered into a senior credit agreement with ABN AMRO Bank N.V., Citigroup Global Markets Limited and ING Bank N.V. as mandated lead arrangers and bookrunners, the banks and financial institutions named therein as lenders, ABN AMRO Bank N.V. as facility agent and security agent and ABN AMRO Bank N.V. and ING Bank N.V. as issuing banks.

Structure

The Senior Credit Facilities initially provided for facilities of up to €850 million through a mixture of three Term Loan facilities and one Revolving Credit Facility, which for legal and practical reasons were subject to certain sub-tranching. They were subsequently amended to provide for facilities of up to €890 million through a Revolving Credit Facility of up to €265 million and three Term Loans of up to €625 million as follows:

- a seven-year amortizing term loan facility A in an aggregate amount of €300 million;
- an eight-year term loan facility B in an aggregate amount of €162.5 million; and
- a nine-year term loan facility C in an aggregate amount of €162.5 million.

The Term Loans have been used to fund the Tender Offer and certain transactions related thereto, to refinance indebtedness of Vendex KBB and to pay fees and expenses incurred in connection therewith.

The Revolving Credit Facility can be used to finance working capital requirements and for certain other general corporate purposes and is available by way of cash advances (in euro or certain agreed other currencies), bank guarantees, letters of credit, bond and similar extensions of credit. Amounts drawn under the Revolving Credit Facility may be made available in the form of (1) an advance under the Revolving Credit Facility, (2) an advance under one or more ancillary facilities (up to a maximum amount of €175 million), or (3) bank guarantees.

As of the date of this offering memorandum no cash drawdowns are outstanding under the Revolving Credit Facility. Drawdowns under the Revolving Credit Facility are subject to further conditions precedent that, on the date a drawdown is requested, and on the drawdown date, (1) no default has occurred and is continuing or will occur as a result of that drawdown and (2) certain representations and warranties specified in the Senior Credit Facilities are repeated and are true and accurate with reference to the facts then existing, and will remain true and accurate immediately after the drawdown is made.

Interest Rates

The Senior Credit Facilities bear interest at rates per annum equal to EURIBOR (or, for loans not denominated in euro, LIBOR) *plus* any mandatory costs to a lender in respect of its compliance with reserve asset, liquidity, cash margin or similar banking regulations *plus* the following margins:

- 2.25% for term loan facility A;
- 2.75% for term loan facility B;
- 3.25% for term loan facility C; and
- 2.25% for the Revolving Credit Facility.

The margins for term loan facilities A and B and the Revolving Credit Facility may be adjusted below the applicable percentage set out above (the "initial margin") at any time after July 2, 2005 (the first anniversary of the date of first utilization of the facilities) if (1) no event of default thereunder has occurred and is continuing and (2) our consolidated quarterly management accounts and related compliance certificate show that, for the accounting quarter in respect of which such accounts have been drawn up (the "testing period"), the ratio of our total net indebtedness (excluding intra-group indebtedness) at the end of that quarter to our consolidated EBITDA for the four previous quarters falls within specified ranges. If the margin is so adjusted, it may revert to a higher margin (no higher than the initial margin) if for a subsequent testing period this ratio has increased.

Fees

In addition to paying interest on loans outstanding under the Senior Credit Facilities, we are obligated to pay the following fees:

- with respect to the Revolving Credit Facility, a commitment fee at a rate of the lesser of (1) 50% of the applicable margin as described above and (2) 0.75% per annum. This commitment fee is payable quarterly in arrears and on the date such facility is cancelled in full;
- an agency fee in the amount equal to €100,000 per annum; and
- a fee of 0.125% per annum payable quarterly in arrears to the issuing bank on the aggregate amount of any bank guarantees, letters of credit, bonds or similar instruments of credit issued under the Revolving Credit Facility issued by the issuing bank.

Security and Guarantees

VDXK, Vendex KBB and certain of its direct and indirect subsidiaries, including the Guarantors, have guaranteed on a senior basis the borrowers' obligations under the Senior Credit Facilities and VDXK and certain of its direct and indirect subsidiaries have granted in favor of the lenders under the Senior Credit Facilities a first ranking security interest over certain of their assets. In addition, a first ranking pledge over the shares in VDXK and in Vendex KBB and certain of its direct and indirect subsidiaries, and a first ranking security interest over the funding loan, have been granted in favor of the lenders under the Senior Credit Facilities. The lenders under the Senior Credit Facilities also benefit from a second ranking pledge of the shares in each Propco and a second ranking mortgage over the properties owned by each Propco.

The obligations of each guarantor extend to the ultimate balance of sums payable by any obligor under the Senior Credit Facilities and related documents, regardless of any intermediate payment or discharge in whole or in part. However, to comply with local laws, the French guarantor has guaranteed only the Revolving Credit Facility and its guarantee is limited to proceeds of loans under the Revolving Credit Facility that are on-lent to it by a member of the group. The Belgian guarantors have guaranteed the sums owing under the Revolving Credit Facility, and their guarantee will be limited to the greater of (a) the monies on-lent to such Belgian Guarantor and (b) 90% of the result of the Net Assets test as defined in the accession letter by which the Belgian companies became guarantors.

Subject to certain agreed conditions, Vendex KBB will ensure that each of its subsidiaries that accounts for more than five percent of EBITDA or the consolidated revenues or the consolidated tangible assets of Vendex KBB and its subsidiaries and any holding company of a borrower become a guarantor of the Senior Credit Facilities. Such additional guarantor will be required to grant such security as the facility agent shall require subject to certain agreed conditions and, provided that the granting of any guarantee and security is not prohibited by the law of the respective jurisdiction of the relevant subsidiary.

Covenants

Negative Covenants

The Senior Credit Facilities contain customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of Vendex KBB and its subsidiaries to, among other things:

- incur indebtedness;
- make loans or otherwise extend credit to others;
- create security on or over the whole or any part of its undertakings or assets;
- make acquisitions or investments or enter into joint ventures;
- sell, transfer, lease out, lend or otherwise dispose of assets or shareholdings or all or any part of its undertakings other than in the ordinary course of business;
- enter into any sale and leaseback arrangement or dispose of receivables;
- grant or permit any guarantee of indebtedness;
- enter into hedging and other derivative transactions;
- pay dividends, redeem share capital, pay fees or amounts in respect of indebtedness to shareholders or make payments on subordinated indebtedness (other than, inter alia, payments on the notes that are permitted under the Intercreditor Agreement);
- make any substantial change to the general nature of its business;
- enter into transactions except on arm's length terms and in the normal course of business;
- issue share capital;
- enter into certain lease arrangements;
- enter into arrangements that may restrict the flow of cash among VDXK and its subsidiaries (other than the Propcos);
- pay, prepay, defease, repay, redeem, purchase or exchange any principal amount or capitalized interest under the Mortgage Loan or the notes except as permitted by the Intercreditor Agreement;
- make variations to the acquisition documentation and the investment documentation.
- issue notes on terms other than those specified in the Senior Credit Facilities;
- enter into an agreement that may restrict the ability to grant security to the senior lenders; and
- with respect to VDXK and certain of its parent companies, carry on business other than holding shares and other equity interests in their subsidiaries, the making of loans to their subsidiaries and certain other corporate functions.

Positive Covenants

The Senior Credit Facilities also require Vendex KBB and its subsidiaries to observe certain customary affirmative covenants, including, but not limited to, covenants relating to:

- relevant authorizations, status and consents;
- maintenance of insurance;
- payment of taxes;
- maintenance of intellectual property;

- compliance with laws and regulations (including environmental laws and regulations);
- maintenance of pari passu ranking of senior debt;
- granting of access;
- cash management;
- the application of the proceeds of the offering of the notes;
- appointment of an auditor other than certain specified auditors;
- further assurance with respect to the security granted to the senior lenders;
- maintain banking relationships with the senior lenders;
- certain mergers, amalgamations, demergers, de-listing or corporate reconstructions required in connection with the structure of the transaction; and
- provision of financial, pension and other information to the lenders.

Propco-related Covenants

The Senior Credit Facilities also require Vendex KBB and its subsidiaries to observe certain matters in respect of dealings with the Propcos, including covenants to ensure that:

- any lease (or any extension, amendment, waiver or novation of any lease) entered into with any Propco is negotiated and entered into on arm's-length terms;
- rent under any such lease does not as at its date (or the date of any such extension, amendment, waiver or novation) exceed market rates for such property;
- for a period of two years from the date of the closing of the Acquisition, no amendment, variation or waiver of the terms of any lease with a Propco is agreed that would increase the aggregate rental charge of Vendex KBB and its subsidiaries in respect of such leases by more than 10% per year above the amount which would otherwise have been payable;
- where any lease with a Propco is subject to renegotiation as a result of, or in anticipation of, a disposal by a Propco of property subject to such lease, the facility agent under the Senior Credit Facilities receives a report from a suitably qualified independent professional third party confirming that the proposed rent, service charge and indexation or rent review provisions are consistent with market rates and provisions negotiated on arm's-length terms; and
- prior to the last day of the Clean Up Period (as defined below under "—Senior Credit Facilities—Events of Default"), some or all of the leases with Propcos are amended such that the projected aggregate annual lease payments and corresponding cash outflows from Vendex KBB and its subsidiaries to the Propcos is equal to the amounts specified to the lenders under the Senior Credit Facilities in a business plan prepared in connection with the Acquisition in each of the first three years following completion of the Acquisition (these amendments have already been effected);

and covenants, subject to certain agreed exceptions, restricting the ability of Vendex KBB and its subsidiaries to:

- make any loan or grant any financial accommodation to any Propco;
- incur any liability to any Propco or pay any amount to or in respect of liabilities of any Propco;
- sell, transfer, lease out, lend or otherwise dispose of any asset to any Propco; and
- grant any guarantee or enter into any participation or purchase agreements in relation to any obligation of any Propco,

other than:

(1) loans that in the aggregate do not exceed €10 million;

(2) certain lease obligations;

(3) any obligations under the Indemnity Agreement (as described below under "—Indemnity Agreement");

(4) payments under the Rental Shortfall Guarantee (as described below under "—Rental Shortfall Guarantee");

(5) any obligations under the propco management agreement relating to management services by the Restricted Group to the Propcos; and

(6) payment on the closing of the Acquisition to the Reserve Account (as defined in the Mortgage Loan) of an amount such that the amount standing to the credit of that Reserve Account when taken together with any other cash in the Propcos on the date of closing of the Acquisition is not more than €10 million.

Financial Covenants

The Senior Credit Facilities contain a comprehensive financial covenant package to enable the lenders to monitor the financial and operating performance of our group. These covenants provide for:

- minimum ratios of consolidated EBITDA to net cash interest;
- minimum ratios of consolidated cashflow to total debt service;
- maximum ratios of total net indebtedness to consolidated EBITDA;
- maximum ratios of total senior net indebtedness to consolidated EBITDA; and
- maximum levels of capital expenditure per year.

The covenants (other than the covenant regarding capital expenditure) are tested quarterly and are intended to reflect a de-leveraging profile. The capital expenditure covenant is tested on an annual basis.

The following tables set forth the above ratio requirements under the Senior Credit Facilities for selected dates indicated compliance with which ratios is determined against the definitions set out in the Senior Credit Facilities (which are subject to various assumptions and adjustments as set out in the Senior Credit Facilities):

Accounting Date	Minimum Consolidated EBITDA to Consolidated Net Cash Interest Payable ratio	Minimum Consolidated Cash Flow to Consolidated Total Debt Service ratio	Maximum Total Net Consolidated Debt to Consolidated EBITDA ratio	Maximum Total Senior Net Debt to Consolidated EBITDA ratio
31 January 2005	2.60:1	1.00:1	4.05:1	2.75:1
31 January 2006	3.00:1	1.00:1	3.30:1	2.15:1
31 January 2007	3.50:1	1.00:1	2.40:1	1.75:1

Maturity and Amortization

The Term Loan facility A is to be repaid in semi-annual installments commencing on July 2, 2005 and ending on July 2, 2011. The Term Loan facility B is to be repaid in two equal semi-annual installments on January 2, 2012 and July 2, 2012. The Term Loan facility C is to be repaid in two equal semi-annual installments on January 2, 2013 and July 2, 2013. No amounts repaid by the borrowers on the Term Loan facilities may be re-borrowed.

Loans made under the Revolving Credit Facility must be repaid in full on the last day of the interest period applicable to that revolving loan. No amount may be outstanding after July 2, 2011. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be re-borrowed, subject to customary conditions precedent, until June 2, 2011.

Prepayments

For the purposes of the following, "Sponsors" means, together, KKR, Cinven, Permira and AlpInvest; "VDXK" means VDXK or any surviving entity following a merger between Vendex KBB and VDXK; and a "Listing" means a listing of all or any part of the share capital of VDXK or any holding company of VDXK on a recognized exchange or any other sale or issue by way of flotation or public offering of any equivalent circumstances in relation to VDXK or a holding company in any jurisdiction or country.

All amounts payable under the Senior Credit Facilities and related documents are immediately due and payable and all commitments are cancelled upon (x) the sale of all or substantially all of the business and/or assets of the group taken as a whole, or (y) the occurrence of certain change of control events, which include the following:

- the persons on the management board of VDXK nominated or voted for by the Sponsors or their affiliates cease to be in the majority on the management board of VDXK; or
- the shareholder representatives of VDXK nominated or voted for by the Sponsors or their affiliates cease to be a majority of the shareholder representatives on any supervisory board of VDXK; or
- any person or persons acting together (other than the Sponsors and/or their affiliates) acquire control of VDXK; or
- the Sponsors and/or their affiliates cease to control more than 50% (or 35% following a Listing provided that no other holder has a greater percentage than the Sponsors and/or their affiliates together) of the voting share capital of VDXK; or
- prior to the earlier of September 30, 2009 and a Listing, KKR and/or its affiliates cease to control a percentage of the aggregate voting stock of VDXK which is greater than the percentage controlled by any other Sponsor and/or its affiliates.

Certain mandatory partial prepayments are required to be made out of:

- net cash proceeds from certain disposals and insurance claims, to the extent that they exceed certain agreed thresholds;
- net cash proceeds received in respect of any liability claim against the professional advisers who prepared reports provided as conditions precedent to the availability of the Senior Credit Facilities;
- the net proceeds received from a Listing, in an amount equal to 100% of such net proceeds (such percentage decreasing in accordance with a schedule in relation to a decrease in the ratio of total net indebtedness as at the last day of the accounting quarter immediately preceding the date of prepayment (but after adjusting for the prepayment) to consolidated EBITDA for the twelve month period ending on such date); and
- 50% of excess cash flow, as defined in the Senior Credit Facilities, in any financial year commencing with the financial year ending on or about January 31, 2006 (for so long as the ratio of total net indebtedness as at the last day of the accounting quarter immediately preceding the date of prepayment (but after adjusting for the prepayment) to consolidated EBITDA for the twelve month period ending on such date is equal to or greater than a certain level).

Subject to payment for broken funding costs (if any) and certain restrictions, the borrowers may voluntarily prepay amounts outstanding under the Senior Credit Facilities (and, in the case of the Revolving Credit Facility, cancel unused commitments), without penalty or premium, at any time in whole or in part subject to agreed minimum amounts and multiples, on not less than five business days' notice to the facility agent under the Senior Credit Facilities.

Events of Default

The Senior Credit Facilities set out certain events of default customary for acquisition financings, the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments, including, among other events:

- non-payment;
- a covenant breach;
- a breach of representation or warranty;
- unlawfulness or repudiation of the financing documents;
- a cross default under any financial indebtedness in excess of €10 million (or its currency equivalent) in aggregate;
- an insolvency, bankruptcy, suspension of payments, receivership, administration, composition, arrangement, winding-up, attachment or similar event;
- any security securing any financial indebtedness of €10 million (or its currency equivalent) or more becomes enforceable and enforcement action is taken in respect of such security;
- cessation of business;
- seizure of material assets by a governmental authority;
- commencement of litigation that is reasonably likely to be negatively determined against a member of the group and if so determined would have a material adverse effect;
- a material adverse change;
- a change in ownership of an obligor except as permitted under the Senior Credit Facilities;
- uncontested judgments against a member of the group in excess of €10 million or non-monetary judgments having a material adverse effect;
- change in holding company status of certain holding companies; and
- a material audit qualification.

However, the Senior Credit Facilities contain a provision allowing for a clean up period that lasts for approximately three months after the closing of the Acquisition (the "Clean Up Period"). Under this provision, matters and events that would otherwise constitute breaches of warranty, breaches of a covenant or events of default under the Senior Credit Facilities will not constitute breaches of warranty, breaches of a covenant or events of default provided that (1) the breach of warranty or covenant or event of default was existing at or within approximately one month following the completion of the Acquisition, (2) the breach of warranty or covenant or event of default relates exclusively to the business or operations of Vendex KBB and its subsidiaries and (3) if, and for so long as, the relevant breach of warranty or covenant or event of default:

- is capable of being cured and, if VDXK or any company that directly or indirectly owns VDXK (or following the date which is approximately one month after the completion of the Acquisition, Vendex KBB or any of its subsidiaries) is aware of the relevant circumstances at the time, reasonable efforts are being used to cure the relevant breach or event;

- has not been procured or approved by VDXK or any company that directly or indirectly owns VDXK (or following the date which is approximately one month after the completion of the Acquisition, Vendex KBB or any of its subsidiaries);
- does not have a material adverse effect; and
- the relevant circumstances are cured by the expiry of the Clean Up Period.

Hedging Arrangements

By September 3, 2004, VDXK was required by the terms of the Senior Credit Facilities to enter into hedging arrangements to provide protection in respect of interest rate risk exposure under the Term Loans arising because the financing thereunder is at floating interest rates. The Senior Credit Facilities provides that these hedging arrangements must cover at least 50% of the Term Loans for a period of at least three years from July 2, 2004. It also provides that hedging banks are granted security, guarantee and subordination rights that rank at least equally with the rights of the lenders under the Senior Credit Facilities. For a description of our current hedging arrangements, please see the section entitled "Operating and Financial Review and Prospects—Quantitative and Qualitative Disclosures About Market Risk."

Tax Gross Up and Indemnities

The Senior Credit Facilities contain provisions relating to the grossing-up of payments that are subject to withholding tax. The Senior Credit Facilities also contain various indemnities for initial expenses, enforcement expenses, liabilities in connection with the Acquisition and other customary matters in respect of liabilities of this type.

The Debt Push-Down

On or about September 30, 2004, VDXK is expected to repay the amounts outstanding under the Bridge Facility and the sub-facilities of Term Loan A and the Revolving Credit Facility drawn down by VDXK with the proceeds of the repayment by Vendex KBB of an intercompany loan granted by VDXK to Vendex KBB and the proceeds from a new intercompany loan granted by Vendex KBB to VDXK. Vendex KBB will fund that repayment and intercompany loan with drawings under the facilities drawn down by VDXK prior to that date and also with existing cash resources. This repayment and intercompany loan are expected to be funded by a daylight facility to Vendex KBB in order to cover the overlapping period. As a result, Vendex KBB will be the only borrower under the Senior Credit Facilities and the Bridge Facility and will be the lender of an intercompany loan to VDXK. The intercompany loan from Vendex KBB to VDXK will not be repaid with the proceeds of the offering of the notes, but is expected to be extinguished upon a merger of VDXK and Vendex KBB.

Funding Loan

In addition to the loans described above, the issuer will make the funding loan to Vendex KBB by lending the entire €275 million gross proceeds of the offering of the notes to Vendex KBB. Vendex KBB will use the proceeds of the funding loan to repay the total amount outstanding under the Bridge Facility.

Interest will accrue on the funding loan at a rate at least equal to the interest rate payable on the notes, with such adjustments as may be agreed between the parties or necessary to match any additional amounts due thereunder, or any special interest payable with respect to the notes. Subject to the terms of the Intercreditor Agreement, the funding loan is repayable upon the repayment in full or in part of amounts due under the notes, whether at maturity, on early redemption or upon acceleration.

Intercreditor Agreement

General

To establish the relative rights of certain of their creditors under the new financing arrangements, certain members of the group, including the issuer and Vendex KBB, will enter into an Intercreditor Agreement with the lenders under the Senior Credit Facilities (the "Senior Lenders"), including ABN AMRO Bank N.V., as senior facility agent (the "Senior Agent"), to which The Bank of New York, London Branch, as the Trustee, will be required to accede.

The Intercreditor Agreement restricts, among other things:

- the ability of the subsidiaries of the issuer (excluding, for the avoidance of doubt, the Propcos, and referred to in this summary of the Intercreditor Agreement as the "Group") that are parties to the Senior Credit Facilities (the "Obligors") to grant security or give guarantees in favor of an Obligor's liabilities under the Guarantees and the Indenture or Vendex KBB's obligations under the funding loan (such liabilities and obligations, the "Notes Liabilities");
- the ability of the holders of the notes, the Trustee and the issuer (in respect of the funding loan) (each, a "Notes Creditor"), to enforce the Guarantees and the security in favor of the notes and (in the case of the issuer) the funding loan; and
- the ability of the Obligors to pay, repay, redeem or acquire the Notes Liabilities, or otherwise to provide financial support in relation to such liabilities, for so long as any obligations under the Senior Credit Facilities are outstanding.

In addition, the Intercreditor Agreement requires that the Guarantees and the security in favor of the notes be released in certain circumstances, and that certain proceeds received by the Notes Creditors be turned over to the Security Agent for application in accordance with the Intercreditor Agreement.

Limitation of Credit Support

Pursuant to the Intercreditor Agreement, the Notes Creditors are prohibited from taking, accepting or receiving any security, guarantee, indemnity or other assurance against loss in respect of the Notes Liabilities, except, to the extent required or permitted by the Indenture and related documentation, for the guarantees and security permitted by the Intercreditor Agreement. However, the limitations under the Intercreditor Agreement relating to such guarantees and securities in respect of the Notes Liabilities will be without prejudice to the obligations of the issuer and its Restricted Subsidiaries (as defined in the Indenture) under the Indenture and related documentation to provide further security (on a second-ranking basis) or guarantees, indemnities or other assurance against loss (on a subordinated basis) where such security or guarantees, indemnities or assurance against loss have been granted or issued on a first-ranking or senior basis, as the case may be, to the senior lenders.

The guarantees of the issuer's obligations under the notes that are permitted by the Intercreditor Agreement comprise subordinated upstream guarantees from VDXK and certain of its subsidiaries that guarantee the Senior Credit Facilities. In addition, the Intercreditor Agreement limits the ability of the Obligors to give guarantees in support of the Notes Liabilities.

The security permitted by the Intercreditor Agreement consists of the second-priority pledge from the issuer over the entire share capital of VDXK (or its successor company) and a second-ranking pledge from VDXK over the entire share capital of Vendex KBB. In addition, the Intercreditor Agreement permits a second-ranking pledge from the issuer over the funding loan. The Guarantees and the security in favor of the notes granted by the issuer and VDXK is referred to herein as the "High Yield Security."

Limitations on Paying the Guarantees and the Funding Loan

Pursuant to the Intercreditor Agreement, the Obligors may only pay, repay, redeem or acquire the Notes Liabilities (including the liabilities of Vendex KBB in respect of the funding loan) (collectively, "Pay the Notes Liabilities") if such payments constitute a Permitted Payment.

A "Permitted Payment" with respect to Notes Liabilities other than the funding loan includes a payment to the Notes Creditors in respect of Notes Liabilities that is then due, to the extent that the payment is a payment:

- of scheduled interest (excluding default interest) or any amount payable under any tax indemnity or increased costs provision or provisions for additional amounts or special interest or provisions for any costs, fees or expenses then due and payable under the notes or the Indenture or the funding loan, so long as such payment would not be prohibited by a Stop Notice or a Payment Stop Event (each as defined below) as described below; or
- of principal funded with the net proceeds of a disposal of one of our business units (other than Consumer Electronics) made in compliance with the mandatory prepayment provisions of the Senior Credit Facilities after repayment in full of the Term Loans; or
- by a Guarantor of all amounts due and payable from it under its Guarantee so long as a demand has only been made at a time when Notes Creditors are permitted to take Enforcement Action (as defined below) in respect of such Guarantee.

Following the discharge of indebtedness under the Senior Credit Facilities, any payment made in accordance with the terms of the notes and the Indenture is permitted.

A Permitted Payment with respect to the funding loan includes a payment which is not prohibited by the provisions described below in this subheading "—Limitations on Paying the Guarantees and the Funding Loan" if such payment is a payment of (i) if interest in cash or capitalized interest in respect of the funding loan, to the extent that the payment is a payment of scheduled interest (excluding default interest), which payment falls due within five days of the date of payment of interest to the issuer and enables the issuer to make a profit no greater than 0.125% per annum of the principal amount of the funding loan; or (ii) any amount payable under any tax indemnity or increased costs provision or provision for additional amounts or special interest or provisions for any costs, fees, or expenses then due and payable under the funding loan so long as such payment is not prohibited by a Stop Notice or a Payment Stop Event; or (iii) principal to the extent it is funded with the net proceeds of a disposal of one of our business units (other than Consumer Electronics) made in compliance with the mandatory prepayment provisions of the Senior Credit Facilities after repayment in full of the Term Loans; or

For so long as a payment is not otherwise prohibited by the provisions of the Intercreditor Agreement relating to the effect of a Payment Stop Event and a Stop Notice, in each case as defined below, any Obligor may on or after the original maturity date of the notes pay the principal amount of or any other amount due and payable by it under the funding loan or any Guarantee.

While obligations under the Senior Credit Facilities are outstanding, the Obligors may not Pay the Notes Liabilities if a Payment Stop Event occurs, unless (i) the Payment Stop Event is no longer continuing or has been waived or cured, (ii) the requisite majority of the Senior Lenders instruct the Senior Agent to consent to such payment, or (iii) the obligations under the Senior Credit Facilities have been repaid in full and the lenders' commitments thereunder cancelled. Under the Intercreditor Agreement, a "Payment Stop Event" occurs upon (i) any failure by an Obligor to pay on the due date any amount payable under the Senior Credit Facilities (other than an amount not constituting principal, interest or fees, not in excess of €250,000) and (ii) the service of any notice on behalf of the Senior Lenders declaring all of any facility made available under the Senior Credit Facilities immediately due and payable or payable on demand as a result of the occurrence of an event of default that is a payment default in respect of the Senior Credit Facilities.

If a Payment Blockage Event is continuing in respect of the Senior Credit Facilities, no Obligor may Pay the Notes Liabilities for a period (a "Stop Period") commencing upon issuance of written notice (a "Stop Notice") to the Trustee of such default by the Senior Agent for a period of 179 days from such issuance, unless a Standstill Period (as defined below) commences during such 179-day period, in which case the Stop Period shall be the period from the issuance of the Stop Notice to the expiry of the Standstill Period. In addition, the Stop Period will end if:

- the Payment Blockage Event in respect of which the Stop Notice was issued is no longer continuing or has been waived or cured,
- the requisite majority of the Senior Lenders instruct the Senior Agent under the Senior Credit Facilities to cancel the Stop Notice or to consent to such payment,
- the obligations under the Senior Credit Facilities have been repaid in full and the lenders' commitments thereunder cancelled, or
- any Standstill Period (as defined below under "—Limitations on Enforcement") in effect in relation to such Stop Notice has expired and the relevant Event of Default under (and as referred to in) the Indenture to which the Standstill Period relates is still continuing or has not been waived or cured.

As defined under the Intercreditor Agreement, the "Payment Blockage Event" is the occurrence of any event of default under the Senior Credit Facilities other than a payment default. The Senior Agent may not serve any Stop Notice more than 45 days after the Senior Agent receives notice in writing of the event constituting the Payment Blockage Event. No more than one Stop Notice may be served with respect to the same event or set of circumstances, and no Stop Notice may be served unless 360 days have elapsed since the delivery of any previous Stop Notice.

Under the Intercreditor Agreement, the "Standstill Period" is the period of 179 days after notice has been given by the Trustee that an event of default under the notes or the Indenture has occurred or that a payment default has occurred under the funding loan.

Limitations on Enforcement

General

The Notes Creditors may only take any Enforcement Action with respect to the High Yield Security or on the funding loan if: (i) the prior written consent of the requisite majority of the Senior Lenders is obtained; (ii) the Senior Lenders have accelerated the Obligors' liabilities under the Senior Credit Facilities, the Senior Lenders have declared the Obligors' liabilities prematurely due and payable (other than as a result of it becoming unlawful for a lender to perform its Obligations under the Senior Credit Facilities), or the Senior Lenders have declared the liabilities thereunder payable on demand (in which case the Notes Creditors may take the same Enforcement Action as the Senior Lenders have taken but may not take any other Enforcement Action without the prior written consent of the requisite majority of the Senior Lenders except after the Standstill Period expires); (iii) the Senior Lenders have enforced or instructed the Security Agent to enforce any security from an Obligor in respect of the liabilities owed by the Obligors, in which event Notes Creditors may take Enforcement Action against that Obligor; (iv) the Notes Creditors have become entitled to take Enforcement Action in respect of the Notes Liabilities as a result of the expiry of any Standstill Period (as defined below) unless the relevant event of default under the Indenture to which the Standstill Period relates is no longer continuing or has been waived or cured; or (v) the Notes Creditors are permitted to take Enforcement Action in respect of the Notes Liabilities as a result of the occurrence of an Insolvency Event (as described below).

Under the Intercreditor Agreement, "Enforcement Action" is defined to mean: (a) the acceleration of any liabilities or any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a lender to perform its obligations under, or of any mandatory prepayment arising under, the Senior Credit Facilities) or payable on demand or the premature termination or close out of certain hedging liabilities; (b) the notification by the Senior Agent or the Trustee to the Security Agent of the occurrence of an event of default under the Senior Credit Facilities or the Indenture, as appropriate, and of such Senior Agent's or Trustee's intention to take steps to enforce or require the enforcement of any security; (c) the making of any demand against a member of the Group in relation to any guarantee, indemnity or other assurance against loss in respect of any liabilities or exercising any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability); (d) the exercise of any right of set-off against any member of the Group in respect of any liabilities due and payable but unpaid; (e) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities; (f) the entering into by any member of the Group of any composition, assignment or arrangement with or for the benefit of its creditors generally (or any class thereof); (g) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to, the winding up, dissolution, administration or reorganisation of any member of the Group or any suspension of payments or moratorium of any indebtedness of any member of the Group other than a reorganization permitted by the Senior Credit Facilities, or any analogous procedure or step in any jurisdiction or (h) the taking of any steps by a party (which such party is entitled to take) to enforce or require the enforcement of any security (including the crystalization of any floating charge forming part of the security).

However, the following shall not constitute Enforcement Action: (i) the taking of any action falling within paragraph (e) above necessary to preserve the validity and existence of claims, including the registration of such claims before any court or governmental authority, (ii) to the extent entitled by law, the taking of any actions against any creditor (or any agent, trustee or receiver acting on behalf of such creditor) to challenge the basis on which any sale or disposal is to take place pursuant to powers granted to such persons under any security documentation, or (iii) the Senior Lenders, the Notes Creditors or a hedging counterparty bringing legal proceedings against any person in connection with any securities violation or common law fraud or to restrain any actual or putative breach of the Indenture and related documents for specific performance with no claim for damages; and *provided further that* none of the actions listed above in (i) through (iii) shall result in an Insolvency Event (as defined below).

Enforcement of Security

Upon the occurrence of any of the events set out above that would entitle the Notes Creditors to take Enforcement Action in respect of Notes Liabilities, the Trustee may direct the Security Agent to commence enforcement of the High Yield Security if, at that time, the event entitling the Trustee or the holders of the notes to take the Enforcement Action is continuing, *provided that*:

- if the Senior Lenders have taken or are taking reasonable efforts to implement an enforcement sale or disposal of an asset subject to their security as expeditiously as reasonably practicable having regard to the circumstances and following the end of the relevant Standstill Period and in any event in accordance with the permitted enforcement provisions set out in the Intercreditor Agreement and such enforcement sale or disposal is being implemented diligently, the Security Agent shall act in accordance with the instructions of the Senior Lenders with respect to the sale or disposal of such assets; and
- if the Senior Lenders have commenced security enforcement action in relation to any asset or assets (other than as set out in the previous bullet point), and such security enforcement action is being pursued diligently, the Security Agent shall act in accordance with the instructions of the Senior Lenders in relation to the enforcement of security in respect of the relevant asset or assets.

The Trustee is required to notify the Senior Agent and VDXK (or any successor company) of any actions it takes pursuant to these provisions.

Enforcement after occurrence of an Insolvency Event

After the occurrence of an Insolvency Event in relation to any Obligor, the Notes Creditors will be entitled (in accordance with the Indenture) to exercise any right they may otherwise have in respect of the Notes Liabilities of such Obligor to: (i) accelerate any Notes Liabilities or to declare them prematurely due and payable or payable on demand; (ii) make a demand under any guarantee, indemnity or other assurance against loss in respect of any Notes Liabilities of that Obligor; (iii) exercise any right of set off or take or receive any payment in respect of any Notes Liabilities; (iv) claim and prove in the liquidation of that Obligor for the Notes Liabilities; or (v) take any other Enforcement Action.

An "Insolvency Event" is defined by the Intercreditor Agreement to mean, in respect of an Obligor: (a) the appointment of any administrator, receiver or other similar officer in respect of that entity or any of its assets; (b) a petition is presented or meeting convened or application made to appoint an insolvency administrator or similar officer, subject to certain conditions, (c) the declaration of bankruptcy or granting of a suspension of payments, (d) an application is made for a declaration of bankruptcy or the granting of suspension of payments, (e) an arrangement or composition with or any assignment for the benefit of creditors generally, or the convening of any meeting for such purpose, (f) convening a meeting for the purpose of considering a resolution for winding up or passing a resolution for the winding up of such Obligor (other than certain frivolous petitions discharged within 21 days), and/or (g) any analogous procedure or step is taken in any applicable jurisdiction.

However, Notes Liabilities will remain subject to subordination in favor of obligations under the Senior Credit Facilities as described under "—Subordination on Insolvency."

Subordination on Insolvency

After the occurrence of an Insolvency Event in relation to any Obligor (or, with respect to liabilities under the funding loan only, the issuer), the person responsible for the distribution of the assets of that entity will be directed to pay any distributions in respect of any Notes Liabilities to the Security Agent under the Intercreditor Agreement until the liabilities under the Senior Credit Facilities, the Notes Liabilities and certain hedging liabilities have been paid in full.

To the extent that any of the Notes Liabilities is discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event, any lender that benefited from that set-off will be required to pay (subject to the Trustee's rights to indemnity and relevant certifications) an amount equal to the amount of its liabilities discharged by that set-off to the Security Agent for application in accordance with the provisions described below under "—Turnover" and "—Application of Proceeds."

After the occurrence of an Insolvency Event in relation to any Obligor or the issuer (in respect of the funding loan only), the Notes Creditors each irrevocably authorize the Security Agent to: (i) take any Enforcement Action in accordance with the terms of the Intercreditor Agreement; (ii) demand, sue, prove and give receipt for any or all of the relevant liabilities; (iii) collect and receive all distributions on, or on account of, any or all of the relevant liabilities; and (iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover such liabilities.

Turnover

If, at any time when any obligations under the Senior Credit Facilities are outstanding, and any Notes Creditor receives or recovers (i) any payment or distribution of, or on account of or in relation to, any of the Notes Liabilities which is not permitted by the Intercreditor Agreement, (ii) any amount by way of set-off in respect of any of such Notes Liabilities which does not give effect to a payment permitted by the Intercreditor Agreement, (iii) the proceeds of any enforcement of the High Yield Security except in accordance with the provisions described below under "—Application of Proceeds," or (iv) any distribution in cash or in kind made as a result of the occurrence of an Insolvency Event in respect of any Obligor, the Notes Creditor must hold that amount on trust for the Security Agent and promptly pay that amount (less the costs and expenses of obtaining that receipt or recovery) to the Security Agent (or, in certain circumstances, pay an amount equal to that receipt or recovery (less the costs and expenses of obtaining that receipt or recovery) to the Security Agent), provided that the Trustee shall only be required to turn over any amount if (i) it has actual knowledge that such receipt or recovery is required to be turned over and (ii) it has not distributed to holders of the Notes in accordance with the Indenture any amounts so received or recovered, in each case to be held on trust by the Security Agent for application in accordance with the order of priority described under "—Application of Proceeds."

Application of proceeds

All amounts from time to time received pursuant to the provisions described under "—Turnover" or otherwise or recovered by the Security Agent pursuant to the terms of the Senior Credit Facilities or otherwise or in connection with the realization or enforcement of all or any part of the security in favor of the Senior Credit Facilities and/or the High Yield Security or paid to the Senior Agent pursuant to the provisions described under "—Turnover" or "—Release of Guarantees and Security" will be held by the Security Agent on trust to apply them at any time the Security Agent sees fit, to the extent permitted by applicable law (and subject to these provisions), in the following order of priority:

(i) in discharging any sums owing to the Security Agent (in its capacity as trustee) or any receiver or similar officer or any fees, expenses and indemnity payments to the Trustee (in an amount not to exceed €3 million per annum only), on a *pari passu* basis;

(ii) in payment of all costs and expenses reasonably incurred by the Senior Agent, or the creditors under the Senior Credit Facilities, the Notes Creditors and certain hedging creditors, in connection with any realization or enforcement of the security in favor of the Senior Credit Facilities and/or the High Yield Security taken in accordance with the terms of the Intercreditor Agreement or certain additional actions taken at the request of the Security Agent;

(iii) in payment to the Senior Facility Agent on behalf of the Senior Lenders and certain hedging counterparties for application (in accordance with the terms of the Senior Credit Facilities and the relevant hedging agreements) towards the discharge of liabilities under the Senior Credit Facilities and the hedging agreements, pro rata;

(iv) in payment to the Trustee on behalf of itself and of any amounts owing to the Trustee in excess of such amounts paid pursuant to (i) above;

(v) in payment to the Trustee on behalf of the Notes Creditors for application (in accordance with the terms of the Indenture) towards the discharge of the Notes Liabilities and the liabilities of the issuer under the notes and the Indenture;

(vi) if none of the Obligors is under any further actual or contingent liability under the Senior Credit Facilities, the hedging agreements or the Indenture, in payment to any person to whom the Security Agent is obliged to pay in priority to any Obligor; and

(vii) the balance, if any, in payment to the relevant Obligor.

Release of Guarantees and Security

Disposal Prior to Enforcement Action on Assets Other Than Shares

The Security Agent is authorized to release the assets disposed of from the security in favor of the Senior Credit Facilities and the notes and is authorized to execute or enter into, on behalf of and without the need of any letter of authority from the Trustee or the holders of the notes, any release of such security or any other claim over such assets that may, in the absolute discretion of the Security Agent, be considered necessary or desirable if, prior to the commencement of any Enforcement Action on any disposal permitted by the Senior Credit Facilities and the Indenture any sale, conveyance, transfer or assignment of assets or any claim under an insurance policy which are the subject of the such security (other than when such assets consist of shares), are permitted, and the terms of the relevant instruments have been complied with.

Disposal of Shares or Disposals Pursuant to Enforcement Action

If all of the shares in the capital of an Obligor or any holding company of that Obligor are sold or otherwise disposed of prior to an Enforcement Action or if any assets are sold or otherwise disposed of by (or on behalf of) the Security Agent or by an Obligor at the request of the Security Agent (acting on the instructions of or with the consent of the facility agent under the Senior Credit Facilities or the Trustee, as applicable), either as a result of the enforcement of the security in favor of the Senior Credit Facilities and/or the notes or a disposal by an Obligor after any Enforcement Action, the Security Agent is authorized to release those assets from the guarantees and security in favor of the Senior Credit Facilities and the notes and is authorized to execute or enter into, on behalf of and, without the need for any further authority from any of the holders of the notes or the Trustee:

(i) except as set forth in (iii) below, any release of the guarantees and security in favor of the Senior Credit Facilities or the notes or any other claim over that asset (including any claim of contribution or subrogation by any other Obligor) that may, in the absolute discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of all of the shares (which are held by an Obligor) in the capital of an Obligor owing Notes Liabilities to the Notes Creditors or liabilities to the issuer under the notes or the Indenture, or any holding company of that Obligor, a release of the Obligor or holding company from all (and not less than all) liabilities it may have to each lender under the Senior Credit Facilities or the Indenture and to any other Obligor, both actual and contingent in its capacity as a guarantor or borrower (including any liability to any other Obligor by way of guarantee, contribution, subrogation or indemnity and including any guarantee or liability arising under or in respect of the Senior Credit Facilities or the Indenture) and a release of any security in favor of the Senior Credit Facilities or the notes granted by that Obligor or holding company over any of its assets under any of the documents creating such security, as applicable; and

(iii) *provided that* in the case of a sale of all or substantially all of the assets of the Group, taken as a whole, or the shares (held by an Obligor) of an Obligor owing Notes Liabilities or liabilities under the notes or the Indenture or related documentation, or any holding company of that Obligor, all liabilities owed to all creditors of such Obligor that are party to the Intercreditor Agreement have been released, and such sale unless permitted by the terms of the Senior Credit Facilities and the Indenture shall be:

   (a) implemented under any court approved process;

   (b) made pursuant to a public auction; or

   (c) for cash and in respect of which an internationally recognized investment bank has delivered an opinion to the Trustee, that the amount received in connection with such sale is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement,

provided that in the case of any sale or disposal under this paragraph, the proceeds of such sale or disposal are paid to the Security Agent to be held on trust by the Security Agent for application in accordance with the order of priority described above under "—Application of Proceeds" (such a sale being referred to in this offering memorandum as a "Share Pledge Enforcement Sale").

The Notes Creditors shall execute any assignments, transfers, releases or other documents that the Security Agent may consider to be necessary to give effect to these releases or disposals provided that the proceeds of those disposals or claims are applied in accordance with the provisions described above under described above under "—Application of Proceeds."

Pursuant to the Indenture, the guarantees will be released in certain additional, and wider, circumstances, automatically and without the need for action on the part of the Trustee or the holders of the notes. See "Description of the Notes—Guarantees—Releases."

Subordination of Intercompany Liabilities

Pursuant to the Intercreditor Agreement, the issuer and certain of its subsidiaries have agreed, prior to the discharge of all liabilities and commitments under the Senior Credit Facilities, to subordinate certain intercompany liabilities to the Senior Credit Facilities and also to the claims of other creditors, including the holders of the notes and the Trustee. Pursuant to the Indenture, the Trustee has agreed on behalf of itself and the holders of the notes that it will permit the payment, prepayment, redemption, acquisition or defeasance of any such liabilities by giving consent to such under the Intercreditor Agreement, if such payment, prepayment, redemption, acquisition or defeasance would be in accordance with the terms of the Indenture, including the covenant described under "Description of the Notes—Certain Covenants—Limitation on Restricted Payments."

Subordination of Propco Liabilities

Pursuant to the Intercreditor Agreement, any liabilities owed by Vendex KBB and its subsidiaries to the Propcos but excluding liabilities in respect of the matters described under numbers (1) through (4) under the caption "—Senior Credit Facilities—Covenants—Propco-related Covenants" above, are subordinated to the prior discharge in full of liabilities incurred under the Senior Credit Facilities and the notes.

Mortgage Loan

As part of the financing for the Acquisition, the Propcos entered into a €600 million senior property facility with ABN AMRO Bank N.V., Bouwfonds Property Finance B.V., ING Bank N.V. and ING Real Estate Finance N.V. as mandated lead arrangers and bookrunners, ING Bank N.V. as facility agent and ING Real Estate Finance N.V. as security agent.

Mortgage Intercreditor Agreement

To establish the relative rights of, among others, the lenders under the Mortgage Loan, the lenders under the Senior Credit Facilities, the Propcos, and Vendex KBB and certain of its subsidiaries (the "Opcos"), these parties entered into the Mortgage Intercreditor Agreement. Among other matters, the Mortgage Intercreditor Agreement provides as follows:

- the security agent on behalf of the finance parties under the Mortgage Loan, waives any rights (other than in respect of the Rental Shortfall Guarantee or under any occupational lease (as defined in the Mortgage Loan)) that such finance parties may have under or in connection with the statements of liability (pursuant to section 2:403 of the Dutch Civil Code (a "403 statement")) that Vendex KBB issued in favor of the Propcos prior to the Acquisition (which 403 statements have since been withdrawn); and

- upon certain insolvency or reorganization events or upon the enforcement of any security over the shares in a Propco or over such Propco's assets, liabilities incurred by a Propco to certain Opcos are subordinated to liabilities incurred under the Mortgage Loan and the Senior Credit Facilities, except for any such liabilities (1) arising under the Indemnity Agreement and (2) in respect of loans of up to a maximum amount of €10 million made to the Propcos by the Opcos to meet certain Propco capital expenditure requirements.

Indemnity Agreement

As a result of the reorganization of our property prior to the Acquisition, the Propcos or Opcos may incur certain tax liabilities that would otherwise have been incurred by an Opco or a Propco, respectively. In addition, as a result of the reorganization, a Propco may incur certain demerger, employee and pension liabilities that would otherwise have been incurred by an Opco. As a condition of each of the Mortgage Loan and the Senior Credit Facilities, the Propcos and Opcos, respectively, have entered into the Indemnity Agreement pursuant to which (1) the Opcos and Propcos agree to cross-indemnify each other with respect to certain tax liabilities and (2) the Opcos agree to indemnify the Propcos in respect of certain demerger, employee and pension liabilities.

Rental Shortfall Guarantee

As part of the Property Transaction, Vendex KBB entered into a Rental Shortfall Guarantee with certain of its operating company subsidiaries and the Propcos. Pursuant to the Rental Shortfall Guarantee, Vendex KBB agrees to guarantee the due and punctual payment and discharge of any and all obligations, undertakings and liabilities of its subsidiaries that are tenants of, and party to a lease with, the Propcos. This guarantee comes into effect with respect to any such tenant only if Vendex KBB withdraws its 403 statement in respect of that tenant.

Retained Financial Indebtedness

As of August 1, 2004, we had retained debt of €54.9 million. The following credit facilities relate to our retained debt:

- Vendex KBB Nederland entered into a term loan facility with Stichting Pensioenfonds "Confidentia," Amsterdam, for an aggregate term loan amount of €22.7 million. The loan incurs interest at 5.5%. As of August 1, 2004, €11.3 million was outstanding. The loan matures on December 31, 2008.
- M&S Mode Distribution Sàrl entered into a mortgage loan with Credit Lyonnais for an aggregate amount of €3 million in order to finance certain investments in real property. The loan has been guaranteed by Vendex KBB and €1.7 million was outstanding as of August 1, 2004. The loan matures on January 15, 2010.
- V&D Warenhuizen B.V. entered into a Master Lease Agreement with IBM Nederland Financieringen B.V. for an aggregate amount of €19 million in connection with the acquisition of SAP licenses and services. As of August 1, 2004, €5.4 million was outstanding. The loan matures on November 30, 2007.
- Two subsidiaries of Praxis Groep B.V. have entered into financial lease arrangements with ABN AMRO Onroerend Goed Advies en Transacties B.V. and ABN AMRO Onroerend Goed Lease en Financieringen B.V. in order to finance certain investments in real property. The financing amounted to an aggregate amount of €8.9 million. The two lease arrangements incur interest at 5.75% and 6.65%, respectively, and terminate on June 30, 2007 and December 31, 2007. At the

termination date the subsidiaries have the option to purchase the real property for €7.2 million and €1.1 million, respectively. As of August 1, 2004, €8.9 million remained outstanding.

- HEMA BV has entered into a financial lease arrangement with Altera Vastgoed BV regarding the HEMA Distribution Center. The arrangement terminates on October 8, 2013. As of August 1, 2004, €12.4 million was outstanding.
- Several of our subsidiaries have entered into financial lease arrangements regarding a portion of our fleet of trucks. As of August 1, 2004, an aggregate amount of €5.2 million was outstanding. The arrangements terminate in 2007 with options to purchase the trucks.
- Hunkemöller B.V. leases IT hardware from Amstel Lease Maatchappij N.V. pursuant to a financial lease arrangement. As of August 1, 2004, an aggregate amount of €0.4 million was outstanding. The arrangement terminates on October 21, 2006.
- We also have several short-term loans with various counterparties. These arrangements terminate in August 2004. As of August 1, 2004, an aggregate of €9.5 million was outstanding.

403 Statements

In order to allow Vendex KBB not to publish financial statements for each of its subsidiaries and instead provide consolidated accounts of the group, it issued in favor of its subsidiaries a corporate guarantee in the form of a 403 statement (section 2:403 of the Dutch Civil Code) pursuant to which Vendex KBB is jointly and severally liable with such subsidiary for generally all liabilities (excluding tort, tax or criminal liabilities) arising from such subsidiary's transactions.

Each of these 403 statements can be withdrawn, with respect to future liabilities only, at any time following specific publicity measures prescribed by Dutch law. Vendex KBB withdrew its 403 statements with respect to the Propcos on July 5, 2004. There are no significant liabilities recorded in the balance sheets of the Propcos as of July 5, 2004. The aggregate contractual obligations of the Propcos as of July 5, 2004 and for the entire life of the then outstanding contracts amounted to approximately €17 million.

Dutch Hybrid Instruments

In July, 2004, Victoria Acquisition II B.V., the issuer's direct parent (for purposes of this summary, the "Subscriber"), subscribed for an instrument issued by the issuer in connection with the Acquisition. The current principal amount under this instrument is approximately €947 million (for purposes of this summary, the "Acquisition DHI").

On or about September 30, 2004, the Subscriber subscribed to an instrument with a face value of approximately €481 plus accrued interest (for purposes of this summary, the "Propco DHI"), which amount represents the face value of the note issued by VDXK when it acquired the lender's rights under Subordinated Propco Proceeds Loan from the Propcos. In consideration for the subscription of the Propco DHI, the Subscriber assumed the rights and obligations under the Subordinated Propco Proceeds Loan. See "The Acquisition, the Property Transaction and Related Transactions-The Property Transaction."

Each of these instruments has substantially similar terms. The instruments provide for settlement thirty years from date of issue and include provisions by which a yield or return may be provided on the principal value of the relevant instrument at a rate determined at the discretion of the board of managers of the issuer (the "Yield"). Pursuant to the instruments, the Yield (if any) is payable at the issuer's option in cash or by issue of shares of the issuer. In addition, the Yield (if any) may be paid at the discretion of the board of managers of the issuer and, if not paid, will accumulate. The instruments require the issuer to make payments only to the extent that the issuer is not insolvent after making such payment, the issuer has positive retained earnings and the payment is not prohibited by the Intercreditor Agreement as described above under "—Intercreditor Agreement." The Propco DHI provides that amounts payable thereunder are limited to amounts received by the issuer from VDXK on an instrument with substantially similar terms, which itself is limited in recourse to the proceeds of any and all payments received.

At the settlement date or upon a liquidation of the issuer, the instruments provide that the Subscriber will be entitled to be paid prior to any distribution of the issuer's assets in respect of the issuer's ordinary shares. The issuer agrees not to commence a liquidation action without the prior consent of the Subscriber unless any unpaid Yield can be paid.

The issuer covenants not to issue shares having, upon or following a liquidation of the issuer, any right to payment prior to the instrument. For so long as any rights under the instrument are outstanding, the issuer may not pay any dividends, nor redeem, purchase or make any payment in relation to any ordinary shares of the issuer.

The instruments provide that they are subordinate to all other obligations of the issuer and prohibit the Subscriber from taking enforcement action in respect of the instruments for so long as any amount is owed to the Senior Lenders or the Notes Creditors.

In accordance with Dutch GAAP, we have classified the instruments as a form of equity. Although for certain purposes under the Indenture these instruments will be considered as indebtedness, throughout this offering memorandum we have described dutch hybrid instruments as a form of equity consistent with Dutch GAAP. For more information on the treatment of the Acquisition DHI under Dutch GAAP please see footnote 11 to the unaudited condensed consolidated balance sheet of the issuer and related notes elsewhere in this offering memorandum.

DESCRIPTION OF THE NOTES

General

Certain terms used in this description are defined below under the caption "—Certain Definitions." Certain defined terms used in this description but not defined below under the caption "—Certain Definitions" have the meanings assigned to them in the Indenture (as defined below). In this Description of the Notes, the "*Issuer*" refers to Victoria Acquisition III B.V. only, and not to its Subsidiaries; *"VDXK"* refers to VDXK Acquisition B.V. (or any successor thereof following a Merger Transaction) only, and not to its Subsidiaries; and *"Guarantors"* refers to the respective entities referred to under "—Guarantees" and not to any of their respective Subsidiaries.

The Issuer will issue the Fixed Rate Notes and the Floating Rate Notes (together, the *"Notes"*) under an indenture among the Issuer, the Guarantors, The Bank of New York as Trustee and Principal Paying Agent and Registrar, AIB/BNY Fund Management (Ireland) Limited as Irish Paying and Transfer Agent, and ABN AMRO Bank N.V. as Security Agent (the *"Indenture"*). We urge you to read the Indenture because it, and not this description, defines your rights as a Holder. A copy of the Indenture is available upon request to the Issuer at the address indicated under "Listing and General Information."

The Issuer will initially issue in this offering the principal amount of Notes specified on the cover of this offering memorandum. Subject to compliance with the covenants described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares" and "—Certain Covenants—Impairment of Security Interest," the Issuer may also issue an unlimited amount of additional Notes at later dates under the same Indenture (*"Additional Notes"*). Any Additional Notes that the Issuer issues in the future will be identical in all respects to either the Fixed Rate Notes or the Floating Rate Notes that the Issuer is issuing now (including with respect to Guarantees of, and Collateral securing, such Notes), except that Notes issued in the future may have different issuance prices and will have different issuance dates.

All Notes, including any Additional Notes, will be treated as a single class under the Indenture, including with respect to waivers and amendments, except as otherwise specified with respect to each series of notes and in particular with respect to redemptions as further specified below. The Fixed Rate Notes and the Floating Rate Notes will be distinguished by different security identification numbers. Unless the context otherwise requires, for all purposes of the Indenture and this "Description of the Notes," references to the *"Notes"* include the Notes offered hereby and any Additional Notes actually issued.

The Notes

The Notes will, upon issuance:

- be general unsubordinated obligations of the Issuer, which is a holding company with no operations and no material assets other than shares in VDXK (or, following a Merger Transaction, shares in the successor to VDXK), and the Issuer's rights under the Proceeds Loan;
- be guaranteed on a senior subordinated basis pursuant to the Guarantees described below;
- have the benefit of security in the form of the Share Pledges and the Proceeds Loan Pledge;
- be effectively subordinated to all of the Indebtedness of the Issuer's Subsidiaries, including Indebtedness under the Senior Facilities; and
- be the only Indebtedness of the Issuer (other than the Dutch Hybrid Instruments).

Principal Maturity and Interest

The Issuer will issue € million aggregate principal amount of Notes in this offering, of which € million will consist of the Floating Rate Notes and € million will consist of the Fixed Rate Notes. Notes will be issued only in minimum denominations of €50,000 and integral multiples of €1,000.

The Floating Rate Notes

The Floating Rate Notes will mature on , 2014 unless redeemed prior thereto as described herein. Unless the context otherwise requires, references to the "*Floating Rate Notes*" and the Notes for all purposes of the Indenture and in this "Description of the Notes" include references to any further Floating Rate Notes that are Additional Notes that are issued.

Each Floating Rate Note will bear interest at a rate per annum (the "*Rate of Interest*"), reset semi-annually, equal to EURIBOR plus %, as determined by the calculation agent (the "*Calculation Agent*"), which shall initially be the Trustee. Interest on the Floating Rate Notes will be payable semi-annually in arrears on and , commencing on , 2005. The Issuer will make each interest payment to the holders of record of the Floating Rate Notes on the immediately preceding and . Interest on the Floating Rate Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date.

"*Determination Date*", with respect to an Interest Period, will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"*EURIBOR*", with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euros for a six-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Telerate Page 248 as of 11:00 a.m., Brussels time, on the Determination Date. If Telerate Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Euro-zone inter-bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the Euro-zone interbank market for deposits in a Representative Amount in euro for a six-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euros to leading European banks for a six-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"*Euro-zone*" means the region comprised of member states of the European Union that adopt the euro.

"*Interest Period"* means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include the day before the first interest payment date.

"*Representative Amount*" means the greater of (a) €1,000,000 and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*TARGET Settlement Day*" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"*Telerate Page 248*" means, the display page so designated on Bridge's Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Rate of Interest and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "*Interest Amount*"). The Interest Amount shall be calculated by applying the Rate of Interest to the principal amount of each Floating Rate Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure upwards to the nearest available currency unit. The determination of the Rate of Interest and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law.

In certain circumstances, the Issuer may be required to pay Additional Amounts in cash on the Notes as described below under "—Withholding Taxes."

If the due date for any payment in respect of any Note is not a Business Day at the place in 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 Fixed Rate Notes

The Fixed Rate Notes will mature on unless redeemed prior thereto as described herein. Unless the context otherwise requires, references to the "*Fixed Rate Notes*" and the Notes for all purposes of the Indenture and in this "Description of the Notes" include references to any further Fixed Rate Notes that are Additional Notes that are issued.

Interest on the Fixed Rate Notes will accrue at the rate of % per annum, and will be payable semi-annually in arrears on and , commencing on , 2005, to Holders of record on the immediately preceding and . Interest on the Fixed Rate Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the issue date thereof. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

In certain circumstances, the Issuer may be required to pay Additional Amounts in cash on the Fixed Rate Notes as described below under "—Withholding Taxes."

If the due date for any payment in respect of any Fixed Rate Note is not a Business Day at the place in 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.

Listing of the Notes

We have applied, through our listing agent, to list the Notes on the Irish Stock Exchange. The Issuer can provide no assurance that its application will be accepted. The Issuer may also choose to list on another recognized stock exchange.

Methods of Receiving Payment on the Notes

Principal, premium, interest, and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents (as defined below); *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of Clearstream Banking and/or Euroclear will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, interest, and Additional Amounts, if any, on Definitive Registered Notes (as defined below), if issued, will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes.

Paying Agents and Registrars for the Notes

The Issuer will maintain a paying agent for the Notes (each, a "*Paying Agent*") in (i) London (the *"Principal Paying Agent"*) and (ii) Ireland (the "*Irish Paying Agent*"), for so long as the Notes are listed on the Irish Stock Exchange and its rules so require. The initial Paying Agents will be The Bank of New York in London and AIB/BNY Fund Management (Ireland) Limited in Dublin.

In addition, the Issuer will undertake to maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the European Council of Economics and Finance Ministers ("*ECOFIN*") meeting of November 26–27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

The Issuer will also maintain one or more registrars (each, a "*Registrar*"), and a transfer agent in each of London and, for so long as the Notes are listed on the Irish Stock Exchange and its rules so require, Dublin. The initial Registrar will be The Bank of New York. The initial transfer agents will be The Bank of New York in London. The Registrar and the transfer agents will maintain a register reflecting ownership of Definitive Registered Notes, if any, outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes, if any, on behalf of the Issuer. Each transfer agent shall perform the functions of a transfer agent.

Upon notice to the Trustee, the Issuer may change or add any Paying Agent, Registrar or transfer agent; *provided, however,* that in no event may the Issuer appoint a Principal Paying Agent in any member state of the European Union where the Principal Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Principal Paying Agent would be so obliged if it were located in all other member states. For so long as the Notes are listed on the Irish Stock Exchange and its rules so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Dublin (currently expected to be the *Irish Times*) in accordance with the provisions set forth under "—Notices."

Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the US Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (collectively, the "*144A Global Notes*"). Notes sold outside the United States pursuant to Regulation S under the US Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (collectively, the "*Reg S*

Global Notes”). The 144A Global Notes and the Reg S Global Notes are collectively referred to herein as the “*Global Notes*.”

The Notes in global form will be deposited with a common depositary for Euroclear and Clearstream Banking or its nominee. The Global Notes may be transferred only to another nominee of Euroclear and/or Clearstream Banking, to a successor of Euroclear and/or Clearstream Banking and/or to a nominee of such successor.

Ownership of interests in the Global Notes (“*Book-Entry Interests*”) will be limited to persons that have accounts with Euroclear and Clearstream Banking 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 “Book-Entry; Delivery and Form—Transfers.” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream Banking will be effected by Euroclear or Clearstream Banking pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream Banking and their respective participants.

Book-Entry Interests in a 144A Global Note, or the “*144A Book-Entry Interests*,” may be transferred to a person who takes delivery in the form of Book-Entry Interests in a Reg S Global Note, or the “*Reg S Book-Entry Interests*,” only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the US Securities Act. Prior to 40 days after the date of initial issuance of the Notes, ownership of Reg S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream Banking or persons who hold interests through Euroclear or Clearstream Banking, and any sale or transfer of such interest to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A. Subject to the foregoing, Reg S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made 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 applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest that is transferred will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it is transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €50,000 principal amount and integral multiples of €1,000, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream Banking, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest, if any, will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “Notice to Investors.”

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes, if any, may be transferred or exchanged, in whole or in part, in minimum denominations of €50,000 in principal amount and integral multiples of €1,000. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream Banking, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 calendar days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after issuance of the Notes, all of the Issuer's Subsidiaries will be Restricted Subsidiaries except for Bijenkorf Vastgoed B.V., Bijenkorf Vastgoed II B.V., HEMA Vastgoed B.V., V&D Vastgoed B.V., and Mavoma B.V. (collectively, the "*Propco Companies*"), which will be Unrestricted Subsidiaries. In addition, in the circumstances described below under the "—Certain Covenants—Limitation on Restricted Payments," the Issuer will be permitted to designate Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

The Propco Companies own 71 HEMA, Bijenkorf and V&D stores and three parking lots, and are the borrowers under the Mortgage Loan described under "Description of Certain Indebtedness." From time to time, we may designate other Subsidiaries that are Unrestricted Subsidiaries to be Propco Companies pursuant to an Officer's Certificate delivered to the Trustee.

The Proceeds Loan

The Issuer will use the proceeds of the Notes to fund the Proceeds Loan (which will have an original principal amount equal to the principal amount of the Notes initially issued), which will be made pursuant to a Proceeds Loan Agreement entered into between the Issuer and Koninklijke Vendex KBB B.V. ("*Target*"). In the event that Additional Notes are issued, the Issuer will loan the proceeds (an "*Additional Proceeds Loan*") to Target, under an additional proceeds loan agreement. In such an event, the Additional Proceeds Loan will be pledged to the Security Agent on the same terms as are described under "—Security—Proceeds Loan Pledge." Unless the context otherwise requires, in this Description of the Notes, the term "Proceeds Loan" will include any Additional Proceeds Loan.

Interest will accrue on the Proceeds Loan at a rate at least equal to the interest rate payable on the Notes, with such adjustments as may be agreed between the parties or necessary to match any additional amounts due thereunder, or any default or special interest payable with respect to the Notes. Subject to the terms of the Intercreditor Agreement, the Proceeds Loan is repayable at the same time as the repayment or repurchase in full or in part of amounts due under or in respect of the Notes, whether at maturity, on early redemption or mandatory repurchase or upon acceleration. Pursuant to the Intercreditor Agreement, Target and the Issuer have agreed that Target will only make payments on the Proceeds Loan to the extent that the payment is a payment of scheduled interest (excluding default interest) or any amount payable under any tax indemnity or increased costs provision or provisions for additional amounts or special interest or provisions for any costs, fees or expenses then due and payable under the Notes or the Indenture or the Proceeds Loan, so long as such payment is not prohibited by the payment blockage provisions contained in the Intercreditor Agreement. See "Description of Certain Indebtedness—Intercreditor Agreement."

The Proceeds Loan will be subordinated in right of payment to the Senior Facilities and will be subject to the Intercreditor Agreement. See "Description of Certain Indebtedness—Intercreditor Agreement." In addition, the Proceeds Loan may be subordinated to additional Indebtedness pursuant to the provisions described under "—Additional Intercreditor Agreements."

Pursuant to the Proceeds Loan, the Issuer has agreed that it will procure that, upon the occurrence of a Merger Transaction involving Target, the resulting or surviving entity will assume the obligations of Target under the Proceeds Loan.

Guarantees

The Guarantors will, jointly and severally, irrevocably guarantee (the "*Guarantees*"), as primary obligors and not merely as sureties, on a senior subordinated basis the full and punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The Guarantors as of the date of the Indenture will be VDXK and Target, each of which is a holding company, and the following, some of which are operating subsidiaries, and some of which are intermediate holding companies: HEMA België B.V., M&S Mode Nederland B.V., Schaap en Citroen B.V., Vroom & Dreesmann Warenhuizen B.V., Vendex KBB Speciaalzaken B.V., Vendex KBB Nederland B.V., Vendex KBB DIY Group B.V., M&S Mode France B.V., M&S Mode International B.V., M&S Mode Spain B.V., Modehuizen Claudia Sträter B.V., Praxis Doe-het-Zelf Center B.V., Praxis Groep B.V., IMpact Retail B.V., IMpact Retail Holding B.V., KBB Buitenland B.V., Magazijn "De Bijenkorf" B.V., Dixons B.V., Formido Bouwmarkten B.V., HEMA B.V., Hunkemöller B.V., Koninklijke Vendex KBB B.V., Divisie Bijenkorf B.V., Divisie HEMA B.V., Divisie Vroom & Dreesmann B.V. and VDXK Acquisition B.V. Together, the Guarantors include all of the entities that have guaranteed the Senior Facilities. The ability to enforce the Guarantees is subject to significant restrictions. See "—Subordination of the Guarantees." In addition, the obligations of each Guarantor will be limited as necessary under its Guarantee to prevent that Guarantee from constituting a fraudulent conveyance under applicable law, or otherwise to reflect limitations under applicable laws. See "Risk Factors—Risks Relating to the Notes and the Guarantees."

The Guarantees will be:

- senior subordinated obligations of the Guarantors;
- *pari passu* in right of payment with all future Senior Subordinated Debt of the Guarantors; and
- senior in right of payment to all future Subordinated Indebtedness of the Guarantors.

Payment under the Guarantees will be expressly subordinated in right of payment to the payment when due of all Senior Debt of the relevant Guarantor. As a result of this subordination, holders of Senior Debt of any Guarantor will be entitled to receive full payment on all obligations owed to them before any kind of payment can be made in respect of such Guarantor's Guarantee to Holders. See "—Subordination of the Guarantees."

The Guarantors currently generate most of our revenue. As of August 1, 2004 and for the Last 12 Months, the subsidiaries of Vendex KBB that are Guarantors represented the following approximate percentages of the adjusted EBITDA (as defined under "Summary Historical and Pro Forma Financial Information"), assets and revenues of Vendex KBB (excluding the Propco Companies):

- 74% of adjusted EBITDA;

- 81% of assets; and
- 79% of revenues.

The Issuer may from time to time be required to procure the issuance of additional guarantees pursuant to the provisions of the Indenture described under "—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries." Any such guarantee (an *"Additional Guarantee"*) shall be issued on substantially the same terms as the Guarantees described hereunder, (including in relation to the release and subordination of such guarantees) and for the purposes of this Description of the Notes the term "*Guarantee*" shall also include any such Additional Guarantees.

Releases

Any Guarantee shall be released:

(1) upon the sale of all the Share Capital of such Guarantor or any Holding Company thereof pursuant to a Share Pledge Enforcement Sale;

(2) upon the sale or other disposition of all or substantially all the Share Capital of the applicable Guarantor (or any Holding Company of such Guarantor other than the Issuer or a Parent Company of the Issuer) in compliance with the Indenture;

(3) upon the release of the guarantee or security that gave rise to the obligations to Guarantee the Notes, so long as no other Indebtedness of the Issuer or a Restricted Subsidiary is at that time guaranteed or secured by such Guarantor in a manner which would require the granting of a Guarantee; or

(4) the defeasance or discharge of the Notes as provided in "—Legal Defeasance and Covenant Defeasance" or "—Satisfaction and Discharge," in each case, in accordance with the terms and conditions of the Indenture.

In addition, if a Guarantor is designated as an Unrestricted Subsidiary in compliance with the covenant entitled "—Certain Covenants—Limitation on Restricted Payments", the relevant Guarantor will be released from all its obligations under its Guarantee. In addition, upon the occurrence of a Merger Transaction, the Guarantees of the merged entities will be replaced by a Guarantee of the resulting or surviving entity.

In all cases the Issuer and such Guarantors that are to be released from their Guarantees shall deliver to the Trustee an Officer's Certificate and an opinion of counsel certifying compliance with the foregoing provisions. The Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications.

Subordination of the Guarantees

General

Each of the Guarantees is a senior subordinated guarantee, which means that each such Guarantee ranks behind, and is expressly subordinated to, all the existing and future Senior Debt of each Guarantor, including any obligations owed by such Guarantor under the Senior Facilities. The ability to take enforcement action against the Guarantors under their Guarantees is subject to significant restrictions imposed by the Intercreditor Agreement and the terms of the Guarantees, and potentially any Additional Intercreditor Agreements entered into after the Issue Date.

Limitations on Paying the Guarantees

The Guarantors are not permitted to make any payment in respect of principal of, premium, if any, or interest on the Notes and may not purchase, redeem or otherwise retire any Notes (collectively, "*pay the Guarantees*") if either of the following occurs (a "*Payment Default*"):

(1) a Payment Stop Event occurs with respect to the Senior Facilities; or

(2) if so specified in any other Designated Senior Debt, a Payment Stop Event occurs with respect to such Designated Senior Debt,

unless, in either case, the Payment Default is no longer continuing or has been waived or cured or the Obligations under the Senior Facilities or such Designated Senior Debt have been repaid in full and all commitments under the Senior Facility or Designated Senior Debt have been cancelled. Regardless of the foregoing, the Guarantors are permitted to pay the Guarantees if the Issuer and the Trustee receive written notice consenting to such payment from the Representatives of all Designated Senior Debt (including the Senior Facilities) with respect to which the Payment Default has occurred and is continuing.

During the continuance of any Payment Blockage Event under any Designated Senior Debt (including the Senior Facilities), the Guarantors are not permitted to pay the Guarantees for a period (a "*Stop Period*") commencing upon the issuance of written notice (a "*Stop Notice*") to the Trustee of such default from the Representative of the lenders under the Designated Senior Debt for a period of 179 days from such issuance, unless a Standstill Period (as defined below) commences during such 179-day period, in which case (subject to the below), the Stop Period will be the period from the issuance of the Stop Notice to the expiry of the Standstill Period. The Stop Period will end if:

(1) the default giving rise to such Stop Notice is no longer continuing or has been cured or waived;

(2) the requisite majority lenders under the Designated Senior Debt cancel the Stop Notice or consent to such payment;

(3) all liabilities under such Designated Senior Debt have been repaid in full and all commitments thereunder have been cancelled; or

(4) any applicable Standstill Period in effect at the time the Stop Notice was issued has expired and the relevant Event of Default under (and as referred to in) the Indenture to which the Standstill Period relates is still continuing or has not been waived or cured.

Notwithstanding the provisions described above, unless the holders of such Designated Senior Debt or the Representative of such Designated Senior Debt have accelerated the maturity of such Designated Senior Debt, the Guarantors will be permitted to resume paying the Guarantees after the end of such Stop Period. No Stop Notice may be served by the Representative of the lenders under the Designated Senior Debt more than 45 days after the Representative of such Designated Senior Debt receives notice in writing specifying the occurrence constituting that Stop Event, and no more than one Blockage Notice may be served with respect to the same event or set of circumstances. Also, no Stop Notice may be served unless 360 days have elapsed since the delivery of any previous Stop Notice in any consecutive 360-day period, irrespective of the number of defaults with respect to Designated Senior Debt during such period.

The Trustee, on behalf of the Holders, has agreed to a 179-day standstill period (the "*Standstill Period*") on enforcement actions it could otherwise take against the Guarantors in respect of the Notes, their respective Guarantees or the Indenture for an Event of Default. The Standstill Period begins on the date the Trustee gives a notice of a Default to the Senior Facility Agent under the Senior Facilities (and if applicable, the Representative under any other Designated Senior Debt), and the Trustee may take enforcement actions upon its expiry unless the relevant Event of Default under the Indenture is no longer continuing or has been cured or waived. The Standstill Period may end earlier in the circumstances described under "Description of Certain Indebtedness—Intercreditor Agreement."

Notwithstanding the existence or duration of any Payment Stop Event, Standstill Period, Stop Notice or Stop Period, the Guarantors will nevertheless be entitled to pay and the Trustee shall be entitled to receive and retain amounts which are for its own account by way of expenses, fees, costs or by way of indemnity or remuneration pursuant to the Indenture.

Subordination on Insolvency

In the event of the opening of insolvency proceedings under Dutch law over the assets of the Issuer or any of its subsidiaries, an insolvency administrator will be appointed.

Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on the basis of the relative claims of those creditors. Certain creditors (such as secured creditors and tax and social security authorities) will have special rights that may adversely affect the interests of Holders. For example, secured creditors may enforce their rights against assets of the Issuer and/or the Guarantors to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. Consequently, Dutch insolvency laws could reduce your potential recovery in a Dutch bankruptcy proceeding. As in moratorium of payments proceedings, the court may order a "cooling down period" for a maximum of two months (or four months in the near future) during which enforcement actions by secured creditors are barred. 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 Holders which were not due and payable by their terms on the date of a bankruptcy of the issuer and/or the Guarantors, will be accelerated and become due and payable as of that date. Each of these claims will have to be submitted to the receiver of the Issuer and the Guarantors 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 proceeding. 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. Generally, in a creditors' meeting (*verificatie-vergadering*) the 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 a separate court proceeding (*renvooi procedure*). These renvooi procedures could cause Holders to recover less than the principal amount of their Notes or less than they could recover in a US liquidation. Such renvooi procedures could also cause payments to the Holders to be delayed compared with holders of undisputed claims. Further, in a bankruptcy a composition may be offered to creditors, which may be binding on creditors in the same manner as set forth above in relation to a moratorium. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. A contractual subordination of the Guarantees in respect of certain other indebtedness of the Issuer and/or the Guarantors will be given effect, as much as possible under Dutch law, in accordance with such contract terms.

A receiver in bankruptcy can force the 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 bankruptcy costs. Excess proceeds of enforcement must be returned to the issuer in its insolvency; they may not be set-off against an unsecured claim of the secured creditor on the issuer. Such set-off is allowed prior to the Issuer's insolvency.

Simultaneously with the opening of the Issuer's bankruptcy proceeding a Dutch receiver or administrator will be appointed. Such appointment will have an overriding effect on the appointment of a receiver as set out in the relevant security documents. The appointment of such receiver cannot prevent the Issuer from being declared bankrupt in The Netherlands. Any future rights or assets acquired by the Issuer after it has been declared bankrupt or after it has been granted a moratorium of payments will not be subject to the security interests created by the relevant security documents.

Please see the section entitled "Risk Factors—Risks Relating to the Notes and the Guarantees—Dutch insolvency laws to which we are subject may not be as favorable to you as United States or other insolvency laws.

Subordination on the basis of Intercreditor Agreements

In general, unless otherwise permitted under the Intercreditor Agreement:

(1) the lenders under the Senior Facilities will be entitled, as secured lenders and pursuant to the terms of the Intercreditor Agreement, to payment in full of all amounts outstanding under the Senior Facilities before (i) the Trustee and the Holders would be entitled to payments under a Guarantee from any Guarantor and (ii) the Issuer would be entitled to payments under the Proceeds Loan and, as a result, before Holders would ultimately receive any payments on the Notes;

(2) the Trustee and the Holders will be required, pursuant to the terms of the Intercreditor Agreement, to turn over any amounts they receive in respect of a Guarantee to the Security Agent until all obligations outstanding under the Senior Facilities are paid in full, provided that the Trustee shall only be required to turn over any amount if (i) it has actual knowledge that such receipt or recovery is required to be turned over and (ii) it has not distributed to Holders in accordance with the Indenture any amount so received or recovered; and

(3) the Issuer will be required, pursuant to the terms of the Intercreditor Agreement, to turn over any amounts it receives under the Proceeds Loan to the Security Agent until all amounts outstanding under the Senior Facilities are paid in full.

The Security Agent will be directed to apply such amounts in the manner described under "—Turnover and Application of Proceeds." See also "Description of Certain Indebtedness—Intercreditor Agreement."

In addition, to the extent that a Guarantor incurs additional Senior Debt, such Senior Debt will be entitled to similar seniority in right of payment to such Guarantor's Guarantee and may also have the benefit of an Additional Intercreditor Agreement giving effect to such seniority.

Turnover and Application of Proceeds

If, at any time when any Senior Debt of any Guarantor is or may be outstanding, the Trustee or any Holder receives or recovers (i) any payment or distribution of, or on account of or in relation to, any liabilities under the Guarantees which is not permitted by the Intercreditor Agreement, (ii) any amount by way of set-off in respect of any of such liabilities which does not give effect to a payment permitted by the Intercreditor Agreement, (iii) the proceeds of any enforcement of the Share Pledges or the Proceeds Loan Pledge except in accordance with the provisions of the Intercreditor Agreement relating to the application of proceeds received by the Security Agent, or (iv) any distribution in cash or in kind made as a result of the occurrence of an Insolvency Event in respect of any obligor under the Senior Facilities, the Trustee or such Holder, as the case may be, will to the extent possible under applicable law hold that amount on trust (to the extent possible under applicable law) for the Security Agent and promptly pay that amount to the Security Agent (or, in certain circumstances, pay an amount equal to that receipt or recovery to the Security Agent), in each case to be held on trust by the Security Agent (to the extent permitted by applicable law) for application in accordance with the order of priority specified in the Intercreditor Agreement; provided that the Trustee shall only be required to turn over any amount if (i) it has actual knowledge that such receipt or recovery is required to be turned over and (ii) it has not distributed to Holders in accordance with the Indenture any amount so received or recovered. This order of priority requires that all obligations under the Senior Facilities be fully discharged before any amounts may be distributed in respect of the Notes or the Guarantees. See "Description of Certain Indebtedness—Intercreditor Agreement."

In addition, the terms of future Senior Debt may require similar turnover provisions in favor of such Senior Debt, which may be entered into without the consent of the Trustee or the Holders pursuant to the provisions described under "—Additional Intercreditor Agreements." In such a case, the relevant Representative of such Senior Debt would be able to require that amounts which would otherwise have been paid to the Trustee or the Holders be paid instead to such Representative of or the lenders under such Senior Debt.

Because of the foregoing subordination provisions, holders of Senior Debt and other creditors (including trade creditors) of a Guarantor may recover disproportionately more than the Holders recover in a bankruptcy or similar proceeding relating to such Guarantor. In such a case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Notes.

Payments by the Issuer from the money or the proceeds of securities held in any defeasance trust pursuant to the provisions described under "—Legal Defeasance and Covenant Defeasance" will generally not be subject to the subordination provisions described above. However, the terms of the Senior Facilities and the Intercreditor Agreement would generally prevent the establishment of any such defeasance trust without the consent of the lenders under the Senior Facilities.

Please see the sections entitled "Risk Factors—Risks Relating to Us and Our Business," "—Risk Factors—Risks Relating to the Notes and the Guarantees," and "Description of Certain Indebtedness."

Security

General

The obligations of the Issuer under the Notes and the Indenture and the Guarantors under the Indenture will be secured by:

(1) a second priority security interest in the shares of VDXK and of Target created by pledge agreements (as amended from time to time, the *"Share Pledges"*) entered into by the Issuer and VDXK; and

(2) a second priority security interest in all of the Issuer's rights under the Proceeds Loan Agreement and any Additional Proceeds Loan Agreement, created by a pledge agreement entered into by the Issuer and Target (together with any Additional Proceeds Loan Pledge, the *"Proceeds Loan Pledge"* and, together with the Share Pledges, the *"Security"*).

The shares subject to the Share Pledges, together with any other property, proceeds or rights that may be added to, supplement or replace such shares in accordance with the terms of the Pledge Agreement and the Indenture are referred to as the *"Share Collateral,"* and the Issuer's rights under the Proceeds Loan Agreement and any Additional Proceeds Loan Agreement that have been pledge pursuant to the Proceeds Loan Pledge are referred to as the *"Loan Collateral,"* and, together with the Share Collateral, the *"Collateral."*

Subject to certain conditions, including compliance with the covenant described under "—Certain Covenants—Impairment of Security Interest," the Issuer is permitted to pledge the Collateral in connection with future issuances of Indebtedness of the Issuer or its Restricted Subsidiaries, including any Additional Notes, permitted under the Indenture and on terms consistent with the relative priority of such Indebtedness. The Security will be released upon the defeasance or discharge of the Notes as provided in "—Legal Defeasance and Covenant Defeasance" or "—Satisfaction and Discharge," in each case, in accordance with the terms and conditions of the Indenture, and as further described below under "—Releases."

Priority

The relative priority between (a) the lenders under the Senior Facilities and (b) the Trustee and the Holders under the Indenture with respect to the Security is established by the terms of the Intercreditor Agreement, the Indenture, the Share Pledges and the Proceeds Loan Pledges, which provide that:

(i) the obligations under the Senior Facilities will be secured by a first priority interest in the Share Collateral and the Loan Collateral; and

(ii) the obligations under the Notes and the Indenture will be secured by a second priority interest in the Share Collateral and a second priority security interest in the Loan Collateral.

Please see the sections entitled "Description of Certain Indebtedness—Intercreditor Agreement" and "—Enforcement of Security." In addition, pursuant to any Additional Intercreditor Agreement entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "—Certain Covenants—Impairment of Security Interest" and "—Additional Intercreditor Agreements."

Share Pledges

Under the Share Pledges, the Issuer will pledge the Share Collateral to secure the payment and performance when due of the Obligations of the Issuer and the Guarantors under the Notes and the Indenture.

The Share Pledges will be entered into between the Issuer and VDXK, as Pledgors, and the Security Agent under share pledge agreements. When entering into the Share Pledges, the Security Agent will act in its own name, but for the benefit of the Holders from time to time. As a matter of Dutch law it is only possible to grant security in favor of a party who is also the creditor of the monetary obligations expressed to be secured by such security. In view of this requirement, a parallel payment obligation has been created in favor of the Security Agent pursuant to the Intercreditor Agreement and it is this obligation which is secured by the Share Pledge. The parallel payment obligation is restricted in such a way that it does not increase the net payment obligations of the relevant pledgor. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Senior Facilities in relation to the security in favor of such lenders.

The Indenture will provide that, subject to the terms of the Indenture, the Notes and the Indenture will be secured by a second priority interest in the Share Collateral until all Obligations under the Notes and the Indenture have been discharged. However, please see the section entitled "Risk Factors—Risks Relating to the Notes and the Guarantees."

The Share Pledges are governed by Dutch law and provide that the rights with respect to the Notes, the Guarantees and the Indenture must be exercised by the Security Agent and in respect of the entire outstanding amount of the Notes. The Indenture also provides that the Share Pledges may only be enforced upon an acceleration of the amounts due under the Notes following an Event of Default. Since the Holders are not party to the Share Pledges, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Share Pledges. The Holders may only act to enforce the Share Pledges through the Security Agent.

Proceeds Loan Pledge

The obligations under the Notes and the Indenture also will be secured by a security interest (which will rank behind a security interest granted in favor of the lenders under the Senior Facilities) in the Loan Collateral. The Proceeds Loan Pledge has been granted in favor of the Security Agent and is subject to the Intercreditor Agreement. As with the Share Pledges, the Proceeds Loan Pledge secures obligations in favor of the Security Agent under the parallel payment obligation included in the

Intercreditor Agreement. The Proceeds Loan Agreement and the Proceeds Loan Pledge will be governed by Dutch law.

In the event that the lenders under the Senior Facilities enforce their first priority security interest with respect to the Proceeds Loan Agreement (or another holder of Indebtedness which is secured by a security interest in the Proceeds Loan enforces such security interest), the Issuer's rights under the Proceeds Loan Agreement may be assigned to a third party. This would mean that the Issuer would have no right, title or interest in the Loan Collateral and no claims against Target under the Proceeds Loan Agreement.

As with the Share Pledges, the rights under the Proceeds Loan Pledge with respect to the Notes, the Guarantees and the Indenture must be exercised by the Security Agent and in respect of the entire outstanding amount of the Notes, and the Proceeds Loan Pledge may only be enforced upon an acceleration of the amounts due under the Notes following an Event of Default. Since the Holders are not party to the Proceeds Loan Pledge, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Proceeds Loan Pledge. The Holders may only act to enforce the Proceeds Loan Pledge through the Security Agent.

Releases

Each of the Share Pledges and the Proceeds Loan Pledge will be released (a) prior to the occurrence of a Default under the Indenture or a default under any other Indebtedness secured by such Security, in a transaction that (i) complies with the applicable provisions of the Indenture including "—Repurchase at the Option of Holders—Asset Sales," "—Repurchase at the Option of Holders—Change of Control" and "Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets" and (ii) pursuant to which all holders of Senior Debt (including the lenders under the Senior Facilities) have released their lien on the Collateral that is subject to such Share Pledge or Proceeds Loan Pledge, or (b) following a Default under the Indenture or a default under any other Indebtedness secured by such shares, pursuant to a Share Pledge Enforcement Sale so long as the proceeds of such sale are applied in accordance with the Intercreditor Agreement. See "Description of Certain Indebtedness—Intercreditor Agreement." In the event of a Merger Transaction, any Share Pledge may be replaced by a Share Pledge with respect to interests in the resulting or surviving entity.

In addition, a refinancing of the Senior Facilities could be implemented in a manner that releases the first-priority security interest over all or some of the Collateral. If this were to occur, by operation of Dutch law, the Security in favor of the Notes would gain priority over later-granted security in favor of the refinanced indebtedness, which could preclude the possibility of putting in place a new senior facility with first priority security as part of the refinancing. To avoid this outcome, the Indenture and the security documents for the Notes will provide that, upon a release of the first-priority security in connection with such a refinancing, the Security in favor of the Notes will be automatically released. The Indenture and the Security will also provide that the Security will be replaced by new security in favor of the Notes, on substantially the same terms as prior to release. However, under Dutch law, the new security would be unenforceable if the grantor was insolvent at the time that it was granted.

The Security will be released upon the defeasance or discharge of the Notes as provided in "—Legal Defeasance and Covenant Defeasance" or "—Satisfaction and Discharge," in each case, in accordance with the terms and conditions of the Indenture. The Security will permit a Merger Transaction, a Permitted Reorganization or the conversion of Target or VDXK or their successors into a different corporate form. The Security may also be released to the extent required in order to enter into a new intercreditor agreement, in accordance with the provisions described under "—Additional Intercreditor Agreements," which creates a new parallel debt obligation in favor of the Security Agent, *provided* that the new parallel debt obligation is secured with the same Security.

Enforcement of Security

The Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security and provide for the release of the Security in certain circumstances upon enforcement by the lenders under the Senior Facilities. These limitations are described under "Description of Certain Indebtedness—Intercreditor Agreement."

In general the rights of the Trustee or the Holders are subject to certain standstill provisions and other limitations on enforcement; while these provisions are in effect, only the lenders under the Senior Facility may direct the sale of the Security and the Trustee may not otherwise take enforcement action.

If the Trustee or any Holder receives proceeds of any enforcement of the Security while the obligations under the Senior Facilities are outstanding, the Trustee or such Holder, as applicable, will, subject to certain exceptions, turn over such amounts to the Security Agent to be applied in the order described under "Description of Certain Indebtedness—Intercreditor Agreement—Turnover" and "Description of Certain Indebtedness—Intercreditor Agreement—Application of Proceeds."

Similar provisions may be included in any Additional Intercreditor Agreement entered into in compliance with "—Additional Intercreditor Agreements."

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement.

Ranking

The Notes will be senior obligations of the Issuer and will rank equal in right of payment with all of the Issuer's existing and future unsubordinated obligations. The Notes will rank senior to any of the Issuer's existing or future Subordinated Indebtedness.

The Issuer is a holding company with no revenue-generating operations of its own. In order to make payments on the Notes or meet other obligations, it will be dependent upon receiving payments from Target under the Proceeds Loan or from VDXK in the form of dividends or otherwise. These payments are restricted by the Intercreditor Agreement and may be restricted by Additional Intercreditor Agreements in the future.

The Guarantees will be senior subordinated obligations of the Guarantors. Each Guarantee will rank junior in right of payment to all existing and future Senior Debt of such Guarantor and equal in right of payment with all existing and future Senior Subordinated Debt of such Guarantor. Each Guarantee will rank senior to any existing and future Subordinated Indebtedness of such Guarantor.

Other than pursuant to intercompany claims (which in certain cases are subject to subordination under Dutch law and are subject to subordination pursuant to our intercreditor arrangements or otherwise), we only have a shareholder's claim in the assets of our subsidiaries. This shareholder's claim is junior to the claims that creditors of our Subsidiaries have against our Subsidiaries. Holders will only be creditors of the Issuer and the Guarantors. In the case of Subsidiaries that are not Guarantors, all the existing and future liabilities of these subsidiaries, including any claims of trade creditors and preferred stockholders, will be effectively senior to the Notes. These Subsidiaries may include entities that are borrowers or guarantors under the Senior Facilities.

As of August 1, 2004, after giving *pro forma* effect to this offering and the application of the net proceeds therefrom as described under "Use of Proceeds:"

- the Issuer had no Indebtedness other than that represented by the Notes and the Dutch Hybrid Instruments; and

- the Issuer and its Restricted Subsidiaries would have had a total of €954.9 million of Indebtedness (including under the Senior Facilities, but excluding the Dutch Hybrid Instruments).

The Issuer and its Subsidiaries may have other liabilities, including contingent liabilities, that may be significant. In addition, the Issuer's Unrestricted Subsidiaries had, as of August 1, 2004, an additional €600.0 million of indebtedness. The Indenture contains limitations on the amount of additional Indebtedness that the Issuer and its Restricted Subsidiaries may incur. However, the amounts of this Indebtedness or other liabilities incurred by the Issuer or its Restricted Subsidiaries could nevertheless be substantial and may be Incurred either by Guarantors or by Subsidiaries that are not Guarantors such that the Notes and Guarantees would effectively rank junior to such Indebtedness or other liabilities. The Indenture does not place restrictions on the amount of Indebtedness that may be incurred by the Issuer's Unrestricted Subsidiaries.

In addition, claims under the Guarantees are restricted by applicable laws and may be limited in value. See "Risk Factors—Risks Relating to the Notes and the Guarantees." In the event that a Guarantee was found to be limited in value or invalid or otherwise unenforceable, then the Holders would not have a direct claim except to the extent of such enforceability and would otherwise be effectively subordinated to all of the Indebtedness and other liabilities of such Guarantor.

Other secured Indebtedness of the Issuer and the Guarantors, including Indebtedness under the Senior Facilities (which has a prior Lien on the Collateral securing the Notes), will be effectively senior to the Notes to the extent that this Indebtedness has a prior Lien on the Collateral securing the Notes or a lien on other property that is not Collateral that secures the Notes. In either of these cases, the other secured Indebtedness will be effectively senior to the Notes to the extent of the value of the assets securing the other secured Indebtedness or the amount of the other secured Indebtedness, whichever is less. The Issuer and its Restricted Subsidiaries have the ability to incur significant amounts of additional Indebtedness which is secured, including Indebtedness that is secured by Liens on the Collateral that are prior to the Security in favor of the Notes or which share in the Collateral on a *pari passu* basis with the Notes. See "—Certain Covenants—Impairment of Security Interest." In addition, in the event that Additional Notes are issued, the Security in favor of the Notes under the Share Pledges will be shared among a larger principal amount of Indebtedness.

Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Optional Redemption

Redemption—Floating Rate Notes

At any time or from time to time on or prior to   , the Issuer may, at its option, redeem up to 40% in principal amount of the Floating Rate Notes (the "*Redemption Amount*") at a redemption price equal to 100% of their principal amount plus a premium equal to the Rate of Interest per annum on the Floating Rate Notes applicable on the date on which notice of redemption is given or, at the Issuer's election as specified in its notice of redemption, if notice of redemption is given after the determination by the Calculation Agent of the Rate of Interest for a subsequent Interest Period but before such subsequent Interest Period commences, such Rate of Interest for such subsequent Interest Period, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to such redemption date, with the net proceeds of one or more Equity Offerings (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that at least 60% in principal amount of the Floating Rate Notes originally issued remains outstanding immediately after each such redemption. Each such redemption shall occur within

120 days of the closing of the relevant Equity Offering. Any redemption notice given in respect of such redemption may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the completion of the related Equity Offering.

At any time or from time to time on and after , the Issuer may redeem the Floating Rate Notes, in whole or in part, upon not less than 30 nor more than 60 days' notice delivered to each Holder pursuant to the procedures described below under "—Notices" at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) if the Floating Rate Notes are redeemed during the twelve-month period beginning on in the years indicated below:

Year	Redemption Price
....	%
....	%
and thereafter	100.000%

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

If less than all the Floating Rate Notes will be redeemed, the Trustee will select the Floating Rate Notes to be redeemed in the manner described under "—Notices" below.

Redemption—Fixed Rate Notes

At any time or from time to time on or prior to , 2007, the Issuer may, at its option, redeem up to 40% in principal amount of the Fixed Rate Notes (the "*Redemption Amount*") at a redemption price equal to % of the aggregate principal amount thereof, plus accrued and unpaid interest, and Additional Amounts, if any, to such redemption date, with the net proceeds of one or more Equity Offerings (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that at least 60% in principal amount of the Fixed Rate Notes originally issued remains outstanding immediately after each such redemption. Each such redemption shall occur within 120 days of the closing of the relevant Equity Offering. Any redemption notice given in respect of such redemption may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the completion of the related Equity Offering.

At any time or from time to time prior to , 2008, the Issuer may redeem the Fixed Rate Notes, in whole or in part, upon not less than 30 nor more than 60 days' notice delivered to each Holder pursuant to the procedures described below under "—Notices," at a redemption price equal to 100% of the principal amount thereof *plus* the Applicable Premium *plus* accrued and unpaid interest, and Additional Amounts, if any, to such redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

At any time or from time to time on and after , 2008, the Issuer may redeem the Fixed Rate Notes, in whole or in part, upon not less than 30 nor more than 60 days' notice delivered to each Holder pursuant to the procedures described below under "—Selection and Notice," at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) if the Fixed Rate Notes are redeemed during the twelve-month period beginning on in the years indicated below:

Year	Redemption Price
2008	%
2009	%
2010	%
2011 and thereafter	100.000%

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

If less than all the Fixed Rate Notes will be redeemed, the Trustee will select the Fixed Rate Notes to be redeemed in the manner described under "—Selection and Notice" below.

Redemption for Taxation Reasons

The Issuer may, at its option, redeem all but not part of the Fixed Rate Notes and/or the Floating Rate Notes, at any time upon giving not less than 30 nor more than 60 days notice to the Holders at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of 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 (see "—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 or any Guarantor determines in good faith that, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of the Relevant Taxing Jurisdiction (as defined below) affecting taxation which becomes effective on or after the Issue Date; or

(2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change in position becomes effective on or after the Issue Date (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Payer (as defined below under "—Witholding Taxes") is, or on the next interest payment date in respect of such series of the Notes would be, required to pay Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to it.

In the case of a Guarantor that becomes a party to the Indenture after the Issue Date or a successor person, the Change in Tax Law must become effective after the date that such entity (or another Payer organized or resident in the same jurisdiction) first makes payment on the Notes. In the case of Additional Amounts required to be paid as a result of a Payer conducting business in an Additional Taxing Jurisdiction (as defined below), the Change in Tax Law must become effective after the date the Payer begins to conduct the business giving rise to the relevant withholding or deduction.

Notice of redemption for taxation reasons will be published in accordance with the procedures under "—Notices."

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or a Guarantor, as the case may be, would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Notes or a Guarantee, as the case may be, were then due and (b) unless at the time such notice is given, such obligation to pay Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver an Officer's Certificate to the Trustee to the effect that the Issuer cannot avoid the obligations to pay Additional Amounts by taking reasonable measures available to it. The Issuer will also deliver to the Trustee an opinion of an independent tax counsel of recognized standing to the effect that the Issuer or a Guarantor, as the case may be, has been or shall become obligated to pay such Additional Amounts as a result of (1) or (2) above. Absent manifest error, the Trustee will accept such Officer's Certificate and opinion as sufficient existence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by the Issuer on the Notes or by any Guarantor under the Guarantees or by a successor of any of the foregoing (each a "*Payer*") will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, duties, levies, imposts, assessments or other governmental charges (including penalties, interest and other liabilities related thereto) (collectively "*Taxes*") imposed or levied by or on behalf of (1) the jurisdiction where such Payer is organized or otherwise considered to be a resident for tax purposes, (2) any jurisdiction from or through which the Payer makes a payment on the Notes or the Guarantee, or (3) any political subdivision or governmental authority of or in any of the foregoing having the power to tax (the "*Relevant Taxing Jurisdiction*"), unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes of any Relevant Taxing Jurisdiction is at any time required in respect of any payments under the Notes or the Guarantee, the Payer will pay to each Holder of a Note such additional amounts ("*Additional Amounts*") as may be necessary in order that the net amounts (including Additional Amounts) paid to such Holder will not be less than the amounts which such Holder would have received in respect of such payments in the absence of such withholding or deduction; provided, that the Payer will not be required to make any payment of Additional Amounts for or on account of:

(1) any Taxes which would not have been imposed but for the existence of any present or former connection between such Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Holder or beneficial owner, if such Holder or beneficial owner is an estate, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction, including such Holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein, but excluding, in each case, any connection arising solely from the acquisition, ownership or disposition of such Notes or the receipt of any payment in respect thereof or the exercise or enforcement of any rights under the Indenture or the Notes;

(2) any Taxes which would not have been imposed but for the presentation of a Note (where presentation is required) for payment on a date more than 30 days after (i) the date on which such payment became due and payable or (ii) the date on which payment thereof is duly provided for, whichever occurs later;

(3) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other similar governmental charge;

(4) any Taxes which are payable otherwise than by deduction or withholding from payment of (or in respect of) principal of, premium, if any, or any interest on, the Notes;

(5) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payer addressed to the Holder (and made at a time which would enable the Holder and/or beneficial owner acting reasonably to comply with that request) made in accordance with the procedures described in "—Notices"

hereinafter to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such tax, assessment or other governmental charge;

(6) except in the case of the liquidation, dissolution or other winding-up of the Payer, any tax, assessment or other governmental charge which would not have been imposed but for the presentation of a Note for payment (where presentation is required) in the Relevant Taxing Jurisdiction (unless by reason of the Payer's actions, presentment could not have been made elsewhere);

(7) any Taxes that are required to be withheld or deducted on a payment to an individual and required to be made pursuant to the European Union Directive on the taxation of savings income (the "*Directive*") which was adopted by the ECOFIN Council of the European Union on June 3, 2003, or any law implementing or complying with, or introduced to conform to the Directive;

(8) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another Paying Agent in a member state of the European Union; or

(9) any combination of the above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the Holder, it would not have been entitled to payment of Additional Amounts by reason of clauses (1) to (9) inclusive above.

If the Payer will be obligated to pay Additional Amounts with respect to any payment made on the Notes, the Payer will provide to the Trustee at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Payer shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Principal Paying Agent to pay Additional Amounts to Holders on the relevant payment date. The Issuer will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee shall, without more, be entitled to rely absolutely on each such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or such Guarantor, as applicable, will (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Issuer or such Guarantor, as applicable, will use all reasonable efforts to obtain certified copies of tax receipts (or, if such certified copies are not available using reasonable efforts, such other evidence reasonably acceptable to the Trustee) evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such evidence of payment to each holder of a Note in accordance with the procedures described in "—Notices" hereunder. The Issuer or such Guarantor, as applicable, will attach to each certified copy a certificate stating (x) that the amount of such Tax evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Tax paid per €1,000 of principal amount of the Notes. The preceding provisions set forth in the first paragraph above will apply mutatis mutandis to any jurisdiction in which any successor person is organized or otherwise considered to be resident for tax purposes and any political subdivision thereof or taxing authority therein.

The Indenture will further provide that if the Payer conducts business in any jurisdiction (an "*Additional Taxing Jurisdiction*") other than a Relevant Taxing Jurisdiction and, as a result, is required by the law of such Additional Taxing Jurisdiction to withhold or deduct any amount on account of

Taxes imposed by such Additional Taxing Jurisdiction from payments under the Notes or any Guarantee, as the case may be, which would not have been required to be so withheld or deducted but for such conduct of business in such Additional Taxing Jurisdiction, the Additional Amounts provision described above shall be considered to apply as if references in such provision to "Taxes" included taxes imposed by way of withholding or deduction by any such Additional Taxing Jurisdiction (or any political subdivision thereof or therein), and that such Additional Taxing Jurisdiction shall be treated as a Relevant Taxing Jurisdiction for the purposes of the "Redemption for Taxation Reasons" provisions hereof.

The Payer will pay any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies or Taxes which arise from the execution, delivery or registration of any Notes or any other document or instrument referred to therein (other than a transfer of the Notes), or any stamp, court or documentary taxes (or similar charges or levies) imposed with respect to the receipt of any payments with respect to the Notes or Guarantees, excluding any such taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, other than those resulting from, or required to be paid in connection with, the enforcement of the Notes, the Guarantees or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

All references in this offering memorandum to principal of, premium, if any, and interest on the Notes (including payments thereof made pursuant to the Guarantee) will include any Additional Amounts payable by the Payer in respect thereof.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, subject to the terms described under this caption "—Change of Control," each Holder will have the right to require the Issuer to repurchase all of such Holder's Notes at a price in cash (the "*Change of Control Payment*") equal to 101% (in the case of the Fixed Rate Notes) or 100% (in the case of the Floating Rate Notes) of the aggregate principal amount thereof, plus accrued and unpaid interest, and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

No later than the date which is 30 days after a Change of Control, the Issuer will give notice (the "*Change of Control Offer*") to each Holder describing the transaction or transactions that constitute the Change of Control and offering to purchase all Notes on the Change of Control Payment Date specified in the notice given to the Holders in compliance with the procedures described below under "—Selection and Notice." If and for so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, the Issuer will publish a copy of such notice in a newspaper of general circulation in Dublin (which is expected to be the *Irish Times*). Such notice shall contain the following information:

(1) a Change of Control Offer is being made pursuant to the covenant entitled "*Repurchase at the Option of the Holders—Change of Control,*" and that all Notes properly tendered pursuant to such Change of Control Offer will be accepted for purchase;

(2) the purchase price and the purchase date, which will be no earlier than 30 days nor later than 60 days from the date such notice is given (the *"Change of Control Payment Date"*);

(3) any Note not properly tendered will remain outstanding and continue to accrue interest;

(4) unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(5) Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "*Option of Holder to Elect Purchase*" on the reverse of the Notes completed, to the Principal Paying Agent at the address specified in the notice or to the Paying Agent at its office in Dublin prior to the close of business on the third Business Day preceding the Change of Control Payment Date; *provided, however*, that in relation to any Book Entry Interest, a holder of such Book Entry Interests may exercise its option to have such Book Entry Interest purchased through the facilities of Euroclear and/or Clearstream Banking, as applicable, in each case, subject to their rules and regulations;

(6) Holders will be entitled to withdraw their tendered Notes and their election to require the Issuer to purchase such Notes if the Principal Paying Agent receives, not later than the close of business on the last day of the Offer Period (as defined in the Indenture), a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes tendered for purchase, and a statement that such Holder is withdrawing his tendered Notes and his election to have such Notes purchased; and

(7) if applicable, a Holder whose Definitive Registered Notes are being purchased in part will be issued new Definitive Registered Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must have a minimum principal amount of €50,000 and be an integral multiple of €1,000.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 under the US Exchange Act and any other securities laws and regulations, including any securities laws of the Netherlands, to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the 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 Indenture by virtue thereof.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent permitted by law:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent, prior to 10.00 a.m. London time, an amount equal to the aggregate Change of Control Payment in respect of all Notes or portions thereof so tendered;

(3) deliver, or cause to be delivered, to the Trustee an Officer's Certificate setting forth the Notes or portions thereof that have been tendered to and purchased by the Issuer in the Change of Control Offer;

(4) deliver, or cause to be delivered, to the Principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

The Principal Paying Agent will promptly mail to each Holder of Definitive Registered Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail to each Holder of Definitive Registered Notes a new Note equal in principal amount to any unpurchased portion of the Notes surrendered; *provided* that each such new Note will be in a principal amount that is at least €50,000 and an integral multiple of €1,000. The Issuer will publicly announce (in accordance with the provisions described below under "—Selection and Notice") the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer will be applicable whether or not any other provisions of the Indenture are applicable unless notice of redemption has been given in respect of all of the Notes pursuant to the provisions of the Indenture described under "—Optional Redemption."

The Issuer will not be required to make a Change of Control Offer in relation to a series of Notes if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer in relation to such series of Notes and purchases all Notes properly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require the Issuer to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Nevertheless, the existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer, its Subsidiaries or a Holding Company of the Issuer in a transaction that would constitute a Change of Control.

The Change of Control repurchase feature is a result of negotiations between us and the Initial Purchasers. Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that we would decide to do so in the future. Subject to certain covenants described below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of debt outstanding at such time or otherwise affect our capital structure or credit ratings.

The definition of Change of Control includes a phrase relating to the sale, transfer, assignment, lease, conveyance or other disposition of "all or substantially all" of our assets. Although there is a developing body of case law interpreting the phrase "substantially all," and although we have clarified in the definition whether certain events would or would not constitute a disposal of "substantially all" of our assets, there is no precise established definition of the phrase under applicable law. Accordingly, if we dispose of less than all our assets by any of the means described above, the ability of a holder of Notes to require us to repurchase its Notes may be uncertain. In such a case, Holders may not be able to resolve this uncertainty without resorting to legal action.

The Senior Facilities require, and future Indebtedness of the Issuer and/or its Subsidiaries may require, the Issuer and/or its Subsidiaries to repay or repurchase such other Indebtedness on the occurrence of certain events that would constitute a Change of Control. One or more of the events constituting a Change of Control could also constitute a default under future indebtedness of the Issuer and/or its Subsidiaries. Moreover, so long as there are any outstanding borrowings or drawn commitments under the Senior Facilities, the Intercreditor Agreement prohibits payments in respect of the Proceeds Loan or the Guarantees, including payments that might be made in respect of a Change of Control Offer, other than in respect of scheduled interest and in certain other circumstances. See "Description of Certain Indebtedness—Intercreditor Agreement." Consequently, the provision of funds to the Issuer to fund a repurchase of Notes in a Change of Control Offer prior to the repayment in full of all amounts due under the Senior Facilities would normally constitute a default under the Senior Facilities, following which payments on the Proceeds Loan are generally prohibited.

If a Change of Control occurs at a time when the Issuer's Subsidiaries are prohibited from making funds available (directly or indirectly) to the Issuer to fund a purchase of the Notes, the Issuer and its Subsidiaries could seek the consent of their lenders to fund the purchase of Notes or could attempt to refinance the borrowings that contain such a prohibition. If they did not obtain that consent or refinance those borrowings, the Issuer and its Subsidiaries would remain prohibited from making funds available (directly or indirectly) to fund a repurchase of the Notes. In such case, any failure by the Issuer to purchase tendered Notes would constitute an Event of Default under the Indenture and the Notes which would, in turn, constitute a default under the Senior Facilities. In such circumstances, the Intercreditor Agreement would generally prohibit payments to the Issuer under the Proceeds Loan.

In any event, the ability of the Issuer and its Subsidiaries to fund a repurchase of the Notes following a Change of Control may be limited by their then existing financial resources. There can be no assurance, therefore, that the Issuer will have sufficient funds when necessary to make any required repurchase.

The change of control events which could give rise to the Issuer's obligation to offer to purchase the Notes are different from those included in the Senior Facilities. Consequently, following certain changes of control, Subsidiaries of the Issuer could be obligated to repay Indebtedness outstanding under the Senior Facilities, but the Issuer would not be obligated to offer to repurchase the Notes.

Asset Sales

The Indenture provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, cause, make or suffer to exist an Asset Sale, unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (as determined in good faith by the Issuer) of the assets sold or otherwise disposed of; and

(2) except in the case of a Permitted Asset Swap, at least 75% of the consideration therefor received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents; *provided* that the amount of:

   (a) any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto (other than Indebtedness that is Subordinated Indebtedness)) of the Issuer or any Restricted Subsidiary, in each case, that are assumed by the transferee of any such assets and for which the Issuer and all Restricted Subsidiaries have been validly released by all creditors in writing;

   (b) any securities received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received) within 180 days following the closing of such Asset Sale; and

   (c) any Designated Noncash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sale having an aggregate fair market value (as determined in good faith by the Issuer), taken together with all other Designated Noncash Consideration received pursuant to this clause (c) that is at that time outstanding, that does not exceed the greater of €200 million and 15% of Total Assets at the time of the receipt of such Designated Noncash Consideration (with the fair market value of each item of Designated Noncash Consideration being measured at the time such Designated Noncash Consideration is received and without giving effect to subsequent changes in value),

shall be deemed to be "cash" for purposes of this provision and for no other purpose under the Indenture or the Notes.

Within 365 days after receipt of the Net Proceeds of any Asset Sale by the Issuer or any of its Restricted Subsidiaries, the Issuer or such Restricted Subsidiary, at its option, may apply the Net Proceeds from such Asset Sale:

(1) to permanently reduce, repay, redeem or purchase:

(a) Obligations under Indebtedness (other than Subordinated Indebtedness) under Credit Facilities (and to correspondingly permanently reduce commitments thereunder), Senior Debt of any Guarantor, or Indebtedness or Preference Shares of any Restricted Subsidiary of the Issuer that is not a Guarantor (in each case, other than Indebtedness or Preference Shares owed to the Issuer or a Restricted Subsidiary of the Issuer), or Obligations under Indebtedness that is guaranteed by a Restricted Subsidiary of the Issuer (other than on a basis that is subordinated to the Notes or the Guarantees), or secured by a Lien or the assets of a Restricted Subsidiary of the Issuer; or

(b) unless included in (a), Obligations under Pari Passu Indebtedness; *provided* that the Issuer shall redeem or repay such Pari Passu Indebtedness only if the Issuer makes an offer to the Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Sale Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness;

(2) to an investment in:

(a) one or more businesses; *provided* that such investment is in the form of the acquisition of Share Capital and results in the Issuer or any of its Restricted Subsidiaries, as the case may be, owning an amount of the Share Capital of such business such that such business constitutes a Restricted Subsidiary of the Issuer immediately following such investment;

(b) capital expenditures of the Issuer or any of its Restricted Subsidiaries;

(c) other assets,

in each case, engaged in, or used or useful in, a Similar Business; *provided, however*, that any such investment made pursuant to a definitive agreement executed within 12 months following the date of the Asset Sale will satisfy this requirement even if the investment occurs more than 12 months after the Asset Sale so long as the investment is consummated within 12 months of the execution of the definitive agreement;

(3) to an investment in:

(a) one or more businesses; *provided* that such investment is in the form of the acquisition of Share Capital and results in the Issuer or any of its Restricted Subsidiaries, as the case may be, owning an amount of the Share Capital of such business such that such business constitutes a Restricted Subsidiary of the Issuer immediately following such investment;

(b) properties, or

(c) other assets,

in each case, that replace the business, property and/or assets that are the subject of such Asset Sale; *provided, however*, that any such investment made pursuant to a definitive agreement executed within 12 months following the date of the Asset Sale will satisfy this requirement even if the investment occurs more than 12 months after the Asset Sale so long as the investment is consummated within 12 months of the execution of the definitive agreement;

(4) to buy out or to purchase a release from lease obligations on existing retail stores; *provided* that the amount so applied pursuant to this clause (4) shall not exceed €25 million in any calendar year and shall not exceed €150 million in total from the Issue Date; and/or

(5) in the case of Net Proceeds from the sale of any of the Equity Interests in any of the Propco Companies or from the Minor Disposal or any of their respective assets, to the making of the Restricted Payments described in clause (16) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" or to any other purpose that the Issuer or such Restricted Subsidiary deems appropriate, including retaining such Net Proceeds in cash.

Any Net Proceeds from an Asset Sale that are not applied as provided and within the time period set forth in the preceding paragraph will be deemed to constitute *"Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds €25 million, the Issuer shall make an offer in accordance with the procedures set forth in the Indenture, *pro rata* to all Holders and (to the extent the Issuer elects) all holders of Pari Passu Indebtedness, to purchase the maximum principal amount (on a *pro rata* basis in integral multiples of €1,000) of Notes and (to the extent the Issuer so elects) such other Pari Passu Indebtedness that may be purchased out of the Excess Proceeds (an *"Asset Sale Offer"*). The Asset Sale Offer will provide for an offer price in cash in respect of the Notes equal to (and, in the case of any Pari Passu Indebtedness, an offer price in cash of no more than) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date fixed for such purchase.

The Issuer will commence each Asset Sale Offer within ten Business Days after the date on which the Excess Proceeds exceed €25 million by mailing the notice required pursuant to the terms of the Indenture. To the extent the aggregate amount of Notes and such other Pari Passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Issuer and/or its Restricted Subsidiaries may use the remaining Excess Proceeds for general corporate purposes, subject to the other covenants contained in the Indenture. If the aggregate principal amount of Notes and such other Pari Passu Indebtedness tendered by the Holders and the holders of such Pari Passu Indebtedness exceeds the Excess Proceeds, the Notes shall be selected for purchase on a *pro rata* basis and, in the case of such other Pari Passu Indebtedness, as the Trustee or agent in relation thereto shall determine. For the purposes of calculating the principal amount of any such Pari Passu Indebtedness not denominated in euro, the principal amount of such Indebtedness shall be calculated by converting any such principal amounts into euro at the spot rate for the purchase of euro as published in the *Financial Times* in the "Exchange Rates" column (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Issuer and which is reasonably satisfactory to the Trustee) on the day that is not earlier than five Business Days prior to, and no later than the date of, the commencement of the Asset Sale Offer. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds shall be reset to zero.

Pending the final application of any Net Proceeds pursuant to the above provisions, the Issuer and/or its Restricted Subsidiaries may apply such Net Proceeds temporarily to reduce Indebtedness outstanding under a revolving credit facility or otherwise invest such Net Proceeds in any manner not prohibited by the Indenture.

The Issuer will comply to the extent applicable with the requirements of Rule 14e-1 under the US Exchange Act and any other securities laws and regulations, including any securities laws of the Netherlands, to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the 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 Indenture by virtue thereof. If so designated by the Issuer, any of its Restricted Subsidiaries or any

Affiliate of the Issuer may conduct the Asset Sale Offer, including payment of the appropriate consideration upon the tender to such Restricted Subsidiary or Affiliate of Notes.

So long as there are any outstanding borrowings or undrawn commitments under the Senior Facilities, the Intercreditor Agreement prohibits payments in respect of the Proceeds Loan or the Guarantees, including payments that might be made in respect of an Asset Sale Offer, other than in respect of scheduled interest and in certain other circumstances. See "Description of Certain Indebtedness—Intercreditor Agreement." Consequently, the provision of funds to the Issuer to fund a repurchase of Notes in an Asset Sale Offer prior to the repayment in full of all amounts due under the Senior Facilities would normally constitute a default under the Senior Facilities.

Selection and Notice

Save to the extent provided in connection with Asset Sale Offers, if less than all of the Notes are to be purchased or redeemed at any time, the Notes will be selected for purchase or redemption as follows:

(1) if the Notes to be purchased or redeemed are listed on any securities exchange, in compliance with the requirements of the principal securities exchange on which the Notes are listed; or

(2) if the rules of any such exchange do not provide any such requirements or if the Notes to be redeemed or purchased are not listed on any securities exchange, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion deems fair and appropriate.

No Note shall be redeemed in part if the resulting Note would have a denomination that is less than €50,000 or other than an integral multiple of €1,000.

Notices of purchase or redemption shall be given to each Holder pursuant to the procedures described below under "—Notices."

If any Note is to be purchased or redeemed in part only, any notice of purchase or redemption that relates to such Note shall state the portion of the principal amount thereof that has been or is to be purchased or redeemed. In relation to Definitive Registered Notes, a new Note in principal amount equal to the unpurchased or unredeemed portion of any Note purchased or redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after any purchase or redemption date, unless the Issuer defaults in payment of the purchase or redemption price, interest shall cease to accrue on Notes or portions thereof tendered for purchase or called for redemption. The Trustee assumes no liability in relation to selections made by it as contemplated above.

Certain Covenants

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests, including any dividend or distribution payable in connection with any merger, consolidation, amalgamation or other combination involving the Issuer or any of its Restricted Subsidiaries, other than:

  (x) dividends or distributions payable in Equity Interests (other than Disqualified Share Capital) of the Issuer or Shareholder Debt; or

  (y) dividends or distributions by a Restricted Subsidiary of the Issuer so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Subsidiary of the Issuer other than a Wholly Owned Subsidiary, the Issuer or a Restricted

Subsidiary of the Issuer receives at least its *pro rata* share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities;

(2) purchase, redeem, defease or otherwise acquire or retire for value any Equity Interests of the Issuer or any Parent Company of the Issuer, including in connection with any merger, consolidation, amalgamation or other combination (in any case, held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer);

(3) voluntarily pay principal on, or purchase, redeem, defease or otherwise acquire or retire for value, in each case, prior to any originally scheduled repayment, sinking fund payment or maturity date, any Subordinated Indebtedness, other than (x) any such payment, 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 payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement, (y) any Indebtedness permitted under clause (7) of the second paragraph under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares," or (z) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement that is a Permitted Investment;

(4) make any Restricted Investment; or

(5) pay any interest on any Shareholder Debt (other than by capitalization to principal or through the issuance of additional Shareholder Debt) outstanding on the Issue Date or issued pursuant to clause (15) of the second paragraph under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares;"

(all such payments and other actions set forth in clauses (1) through (5) above being collectively referred to as "*Restricted Payments*"), unless:

(a) no Default or Event of Default shall have occurred and be continuing at the time of such Restricted Payment and immediately after giving effect thereto;

(b) immediately after giving effect to such Restricted Payment (including the application of such Restricted Payment), on a *pro forma*basis as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, the Issuer could incur at least €1.00 of additional Indebtedness under the provisions of the first paragraph of "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries after the Issue Date (including Restricted Payments permitted below by clauses (1), (2) (with respect to the payment of dividends on Refunding Share Capital pursuant to clause (b) thereof), (4) (only to the extent of amounts that could have been paid pursuant to such clause if €5 million and €10 million were substituted in such clause for €10 million and €20 million respectively), (6), (8) and clause (10)(g) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum (without duplication) of:

(i) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the beginning of the first fiscal quarter of the Issuer commencing after the Issue Date, to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment, or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit; *plus*

(ii) 100% of the aggregate net cash proceeds and the fair market value (as determined in good faith by the Issuer) of marketable securities received by the Issuer or any of its Restricted Subsidiaries since immediately after the Issue Date as consideration for the issue or sale of:

(A) Equity Interests (other than Disqualified Share Capital) of the Issuer, including Retired Share Capital (as defined below) but excluding the net cash proceeds from, and the fair market value of marketable securities (as determined in good faith by the Issuer), received in consideration of, the issuance of:

(I) Equity Interests to members of management, directors or consultants of (x) the Issuer, (y) any Holding Company of the Issuer or (z) any Subsidiary of the Issuer, in each case, to the extent any Restricted Payment has been made in reliance on such net cash proceeds or marketable securities pursuant to clause (4)(a) of the next succeeding paragraph;

(II) Designated Preference Shares;

(III) Excluded Contributions;

(IV) Refunding Share Capital (as defined below);

(V) Equity Interests issued or sold to a Restricted Subsidiary; and

(VI) Equity Interests, to the extent any Indebtedness has been incurred in reliance on the net cash proceeds from the issuance thereof pursuant to clause (16) of the second paragraph under the covenant entitled "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares"; *plus*

(B) Indebtedness (other than Shareholder Debt to the extent that the proceeds are included in (vi) of this clause (c)) of the Issuer or any of its Restricted Subsidiaries, Disqualified Share Capital of the Issuer or Preference Shares of a Restricted Subsidiary of the Issuer that is not a Guarantor, in each case, that has been converted into or exchanged for Equity Interests (other than Disqualified Share Capital or Designated Preference Shares) of the Issuer or Shareholder Debt, but excluding the net cash proceeds from, and the fair market value (as determined in good faith by the Issuer) of marketable securities received in consideration of, the issuance of:

(I) Refunding Share Capital; and

(II) Indebtedness, Disqualified Share Capital or Preference Shares issued or sold to a Restricted Subsidiary of the Issuer; *plus*

(iii) 100% of the cash and the fair market value (as determined in good faith by the Issuer) of all marketable securities contributed to the equity of the Issuer following the Issue Date (other than by a Restricted Subsidiary of the Issuer and other than pursuant to the issuance by the Issuer of Disqualified Share Capital or Refunding Share Capital); *plus*

(iv) 100% of the cash and the fair market value (as determined in good faith by the Issuer) of marketable securities, received by the Issuer or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary of the Issuer) of Restricted Investments by the Issuer or any of its Restricted Subsidiaries at any time following the Issue Date, the repurchase or redemption of any such Restricted Investment at any time after the Issue Date and held by the Issuer or any of its Restricted Subsidiaries (other than any such repurchase or redemption by the Issuer or a Restricted Subsidiary of the Issuer) and the payment of loans or advances made after the Issue Date constituting Restricted Investments and owing to the Issuer or any of its Restricted Subsidiaries (in each case, other than Restricted Investments made pursuant to clause (9) or (13) of the next paragraph);

(B) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of the Issuer of Share Capital of an Unrestricted Subsidiary of the Issuer (except to the extent the Investment in such Unrestricted Subsidiary was made by the Issuer or a Restricted Subsidiary pursuant to clause (9) or (13) of the next paragraph or to the extent such Investment constitutes a Permitted Investment); and

(C) any dividend or distribution made by an Unrestricted Subsidiary of the Issuer (except to the extent the Investment in such Unrestricted Subsidiary was made by the Issuer or a Restricted Subsidiary of the Issuer pursuant to clause (9) or (13) of the next paragraph and the dividend or distribution constitutes a return of capital);

(v) in case an Unrestricted Subsidiary of the Issuer designated as an Unrestricted Subsidiary after the Issue Date is redesignated as a Restricted Subsidiary of the Issuer (or merges, consolidates, amalgamates or otherwise combines with the Issuer or a Restricted Subsidiary of the Issuer), the fair market value (as determined by the Board of Directors of the Issuer in good faith or, if such Board of Directors attributes a fair market value in excess of €50 million, in writing by an independent investment banking firm, valuer or appraiser of internationally recognized standing) of the Investments by the Issuer or any of its Restricted Subsidiaries in such Unrestricted Subsidiary, at the time of the redesignation of such Unrestricted Subsidiary of the Issuer as a Restricted Subsidiary (other than an Unrestricted Subsidiary to the extent the Investment in such Unrestricted Subsidiary was made by the Issuer or a Restricted Subsidiary of the Issuer pursuant to clauses (9), (13) or (14) of the next paragraph, or to the extent such Investment constituted a Permitted Investment); *plus*

(vi) 100% of the cash received by the Issuer or any Guarantor in connection with the incurrence of any Shareholder Debt after the Issue Date.

The foregoing provisions will not prohibit:

(1) the payment of any dividend 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 Indenture;

(2) (a) the redemption, repurchase, retirement or other acquisition of (i) Equity Interests ("*Retired Share Capital*") of the Issuer or any Parent Company of the Issuer (or any Management Equity Subsidiary) or (ii) Subordinated Indebtedness or Preference Shares of a Restricted Subsidiary of the Issuer, in each case, in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Issuer) of, Equity Interests (other than Disqualified Share Capital or Designated Preference Shares) of the Issuer, Shareholder Debt of the Issuer or a Guarantor or cash contributions to the capital (other than for Disqualified Share Capital or Designated Preference Shares) of the Issuer (such Equity Interests, Shareholder Debt or contributions, to the extent of the application of such net proceeds for such purposes, "*Refunding Share Capital*") and (b) if immediately prior to the redemption, repurchase, retirement or other acquisition of Retired Share Capital, the declaration and payment of dividends thereon or with respect thereto was permitted under clause (6)(a) or (b) of this paragraph, the declaration and payment of dividends on the Refunding Share Capital in an aggregate amount per annum not exceeding the aggregate amount of dividends per annum that could have been declared and paid

pursuant to clause 6(a) or (b) on or with respect to such Retired Share Capital immediately prior to such retirement;

(3) the redemption, repurchase, retirement or other acquisition of Subordinated Indebtedness made in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Issuer) of, Indebtedness (the "*Subordinated Refinancing Indebtedness*") of the Issuer incurred in compliance with "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares," *provided* that:

   (a) the principal amount of the Subordinated Refinancing Indebtedness does not exceed the principal amount of the Indebtedness being so redeemed, repurchased, retired or acquired, plus any premium, fees, commissions and expenses paid in connection with such redemption, repurchase, retirement or other acquisition;

   (b) such Subordinated Refinancing Indebtedness is subordinated in right of payment to, and subject to the same remedy bars in favor of the Holders, the Notes and the Guarantees, as applicable, at least to the same extent as the Indebtedness so redeemed, repurchased, retired or acquired;

   (c) such Subordinated Refinancing Indebtedness has a final scheduled maturity date equal to or later than the final scheduled maturity date of the Indebtedness being so redeemed, repurchased, retired or acquired;

   (d) if the Indebtedness being refinanced by such Subordinated Refinancing Indebtedness was incurred by the Issuer or a Guarantor, the related Subordinated Refinancing Indebtedness is incurred by the Issuer or a Guarantor; and

   (e) such Subordinated Refinancing Indebtedness has a Weighted Average Life to Maturity equal to or greater than the remaining Weighted Average Life to Maturity of the Indebtedness being so redeemed, repurchased, retired or acquired;

(4) a Restricted Payment made to pay for, or to fund the redemption, repurchase, retirement or other acquisition for value of, Equity Interests of the Issuer, any Parent Company of the Issuer or any Management Equity Subsidiary held by or for the benefit of any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any Parent Company of the Issuer pursuant to any management equity plan, share option plan or any other management or employee benefit plan or agreement with respect to the management or employees of the Issuer and its Subsidiaries; *provided* that the aggregate Restricted Payments made pursuant to this clause (4) do not exceed in any calendar year €10 million (with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum (before giving effect to, and not limiting, the following proviso) of €20 million in any calendar year); *provided further* that such amount in any calendar year may be increased by an amount not to exceed:

   (a) the net cash proceeds received after the Issue Date from the sale of Equity Interests of the Issuer and, to the extent contributed to the equity (other than through the issuance of Disqualified Share Capital, Refunding Share Capital and Designated Preference Shares) of the Issuer, Equity Interests of any Parent Company of the Issuer and/or any Management Equity Subsidiary, in each case, to members of management, directors or consultants of the Issuer, any of its Subsidiaries or any Parent Company of the Issuer, in each case, to the extent Restricted Payments have not been made pursuant to clause (c) of the preceding paragraph in reliance on such net cash proceeds; *plus*

   (b) the net cash proceeds of key man life insurance received after the Issue Date by the Issuer or any of its Restricted Subsidiaries and, to the extent contributed to the equity (other than through the issuance of Share Capital, Refunding Share Capital or Designated Preference

Shares) of the Issuer after the Issue Date, by any Parent Company of the Issuer and/or any Management Equity Subsidiary; *less*

(c) the amount of any Restricted Payment previously made pursuant to clause (a) or (b) of this clause (4);

and *provided further* that any cancellation of Indebtedness owing to the Issuer or any of its Restricted Subsidiaries by any Management Equity Subsidiary, or any members of management, directors or consultants of the Issuer, any of its Subsidiaries or any Parent Company of the Issuer issued to such persons under a management equity plan, share option plan or any other management or employee benefit plan or agreement in connection with are purchase of such Equity Interests will not constitute a Restricted Payment for purposes of the Indenture;

(5) the declaration and payment of dividends to holders of any class or series of Disqualified Share Capital of the Issuer or any Preference Shares of a Restricted Subsidiary issued in accordance with the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares;"

(6) (a) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date;

(b) the declaration and payment of dividends to a Parent Company of the Issuer or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Company issued after the Issue Date; *provided* that the amount of all dividends declared or paid pursuant to clause (b) shall not exceed the aggregate amount of cash proceeds contributed to the equity (other than through the issuance of Disqualified Share Capital or Refunding Share Capital of the Issuer) of the Issuer from the sale of such Designated Preference Shares; and

(c) the declaration and payment of dividends on Refunding Share Capital in excess of the dividends declarable and payable thereon pursuant to clause (2)(b);

provided that, in the case of clauses (a), (b) and (c) of this clause (6), for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of the issuance of such Designated Preference Shares or the declaration of such dividends on such Refunding Share Capital, after giving effect to such issuance or declaration on a *pro forma* basis, the Issuer's Fixed Charge Coverage Ratio would have been at least 2.00 to 1.00;

(7) repurchases of Equity Interests deemed to occur upon exercise of options, warrants or other securities, if such Equity Interests represent a portion of the exercise price of such options, warrants or other securities;

(8) following a Public Offering of the Issuer's common stock or common equity interests or the common stock or common equity interests of any Parent Company of the Issuer or any Affiliate thereof, declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent Company of the Issuer to pay, dividends on the common stock or common equity interests of the Issuer or any Parent Company of the Issuer, in an amount not to exceed in any fiscal year the greater of (A) an amount equal to the greater of (x) 5% of the Market Capitalization and (y) 5% of the IPO Market Capitalization, *provided* that the aggregate of such payments shall not exceed the amount of the net cash proceeds received by the Issuer in Public Offerings or contributed in cash to the Issuer's equity with the net cash proceeds of any such Public Offerings (except and to the extent that such proceeds are designated as constituting an Excluded Contribution) and provided further that after giving pro forma effect to the payment of such amount, the Leverage Ratio shall be no greater than 4.00 to 1.00 and (B) 6% per annum of the net cash proceeds received by the Issuer in any Public Offerings or contributed in cash to the

Issuer's equity with the net cash proceeds of any such Public Offerings by any Parent Company of the Issuer or any Affiliate thereof (in either case, except and to the extent that such proceeds are designated as constituting an Excluded Contribution); and;

(9) Restricted Payments made with the proceeds of Excluded Contributions or as part of a Permitted Reorganization (and in compliance with the definition thereof));

(10) the declaration and payment of dividends or other distributions by the Issuer or any Restricted Subsidiary to, or the making of loans to, any Parent Company of the Issuer in amounts required to pay:

(a) taxes, duties or similar fees and expenses required to maintain the corporate existence of any Parent Company of the Issuer or any Management Equity Subsidiary or which are otherwise payable by, with respect to or attributable to the ownership, business, operations or profits of the Issuer or any of its Restricted Subsidiaries;

(b) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received or to be received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries;

(c) customary salary, bonus and other benefits (including insurance and indemnification) payable to or in favor of officers and employees of any Parent Company of the Issuer or any Management Equity Subsidiary to the extent such salaries, bonuses and other benefits are attributable to the ownership or operation of the Issuer and its Restricted Subsidiaries;

(d) general corporate overhead expenses of any Parent Company of the Issuer or any Management Equity Subsidiary to the extent such expenses are attributable to the ownership or operation of the Issuer and the Restricted Subsidiaries or related to the proper administration of such Parent Company, including (i) fees and expenses properly incurred in the ordinary course of business to auditors and legal advisors; (ii) payments in respect of services provided by directors, officers or employees of any such Parent Company; and (iii) costs associated with the maintenance of a head office function of any Parent Company or a successor thereof selected by the Issuer;

(e) fees and expenses of any Parent Company incurred in relation to the issuance of the Notes;

(f) taxes with respect to income derived from funding made available to the Issuer and its Subsidiaries or any successor thereof, and

(g) and, to the extent that any payments or distributions described in clauses (a) through (f), or payments or distributions made pursuant to clauses (12) or (18) hereof, are deemed for Dutch corporate, accounting or taxation law purposes to constitute dividends and Dutch law requires a pro rata payment or distribution to other shareholders of the Issuer or the relevant Restricted Subsidiary, the making of such pro rata payments or distributions;

(11) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(12) payment of, and any dividend or other loan or distribution by the Issuer or any Restricted Subsidiary of the Issuer to fund the payment of, fees and expenses incurred in connection with the Transactions or owed to or in respect of Affiliates, in each case, to the extent permitted by the covenant described under "—Transactions with Affiliates";

(13) Investments in Unrestricted Subsidiaries or Associates having an aggregate fair market value, as determined in good faith by the Issuer, taken together with all other Investments made pursuant to this clause (13) that are at the time outstanding, not to exceed €40 million 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); provided that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "—Limitation on Restricted Payments," such Investment shall thereafter be deemed to have been made pursuant to clause (3) of the definition of "Permitted Investments" and not this clause;

(14) other Restricted Payments in an aggregate amount not to exceed €60 million; provided that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary of the Issuer and such Person is subsequently designated a Restricted Subsidiary of the Issuer pursuant to the covenant described under "—Limitation on Restricted Payments," such Investment shall thereafter be deemed to have been made pursuant to clause (3) of the definition of "Permitted Investments" and not this clause;

(15) any purchase, redemption, repurchase, defeasance or other acquisition or retirement of Subordinated Indebtedness to the extent required by the agreement governing such Subordinated Indebtedness following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only if the Issuer (or a third person as permitted by the provisions of the Indenture) shall have complied with the terms described under "—Repurchase at the Option of Holders—Change of Control," conducted a Change of Control Offer and, if required, purchased all Notes tendered pursuant to the Change of Control Offer, prior to purchasing, redeeming, repurchasing, defeasing or otherwise acquiring or retiring such Indebtedness;

(16) sales, transfers or distributions, as a dividend or otherwise, of assets of, Share Capital of, or Indebtedness owed to the Issuer or any Restricted Subsidiary of the Issuer by, Unrestricted Subsidiaries, or the payment of dividends or distributions of an amount up to the Net Proceeds received from the sale of any of the foregoing or received in respect of the Minor Disposals;

(17) any purchase, repurchase, redemption, acquisition or retirement for value of fractional shares of Share Capital of the Issuer or any Parent Company or any declaration or payment of dividends or making of distributions, loans, advances or other extensions of credit to a Parent Company to fund purchases, repurchases, redemptions, acquisitions or retirement for value of fractional shares of Share Capital of a Parent Company, in either case, arising out of stock dividends, splits or combinations or business combinations effected in good faith after the first Public Offering; *provided, however,* that such purchases, repurchases, redemptions, acquisitions or retirement for value or payments, distributions, loans, advances or other extensions of credit shall be included in the calculation of Restricted Payments; and

(18) distributions or deemed distributions pursuant to arrangements made between the Issuer and/or any of its Restricted Subsidiaries and any Parent Company for the purposes of sharing tax losses or other tax relief with any Parent Company,

provided, however, that after giving effect to any Restricted Payment referred to in clauses (4), (5), (6), (8), and (13) and (14) of this paragraph, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

As of the Issue Date, all of the Issuer's Subsidiaries other than the Propco Companies will be Restricted Subsidiaries. For purposes of designating any other Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the last sentence of the definition of "*Investment.*" Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time, whether pursuant to the first paragraph or second paragraph of this covenant, and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

The Issuer may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary only pursuant to the second to last sentence of the definition of "*Unrestricted Subsidiary*."

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable for, contingently or otherwise (collectively, "*incur*" and, collectively, an "*incurrence*") any Indebtedness (including Acquired Indebtedness), the Issuer will not issue any Disqualified Share Capital, and the Issuer will not permit any of its Restricted Subsidiaries that is not a Guarantor to issue any Preference Shares, *provided that,* the Issuer may incur Indebtedness or issue Disqualified Share Capital and any of its Restricted Subsidiaries may issue Preference Shares or incur Indebtedness (including in each case, Acquired Indebtedness, but not including, in the case of a Restricted Subsidiary that is not a Finance Subsidiary, Public Indebtedness unless it is a guarantee of Public Indebtedness of the Issuer or a Finance Subsidiary) if the Fixed Charge Coverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Share Capital or Preference Shares are issued would have been at least 2.00 to 1.00 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Share Capital or Preference Shares had been issued, as the case may be, and the application of proceeds therefrom had occurred, at the beginning of such four-quarter period.

The foregoing limitations will not apply to:

(1) Indebtedness incurred by the Issuer or any of its Restricted Subsidiaries under Credit Facilities (with letters of credit, guarantees and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof) up to an aggregate principal amount €1,000 million outstanding at any one time *less* the aggregate amount of all Net Proceeds of Asset Sales applied by the Issuer or any of its Restricted Subsidiaries since the Issue Date to permanently repay any Indebtedness under such Credit Facilities pursuant to the second paragraph of the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales" except to the extent Indebtedness under Credit Facilities is subsequently Incurred in an amount not exceeding such amount of Net Proceeds and reinvested in Additional Assets or used to purchase Notes or prepay, repay, purchase, repurchase, redeem, retire, defease or otherwise acquire for value other Indebtedness, pursuant to the covenant described under "—Repurchase at the Option of Holders—Asset Sales";

(2) Indebtedness represented by the Notes (other than any Additional Notes), any Guarantees, the Proceeds Loan, the Share Pledges and the Proceeds Loan Pledge;

(3) Existing Indebtedness (other than Indebtedness described in clauses (1) and (2)) and (to the extent considered Indebtedness) obligations pursuant to GAAP Operating Leases;

(4) Indebtedness of the Issuer and any Restricted Subsidiary of the Issuer or Preference Shares issued by a Restricted Subsidiary that is not a Guarantor (A) consisting of 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 (B) otherwise incurred to finance the purchase, lease 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 Share Capital of any Person owning such assets, in an aggregate principal amount which, when aggregated with the principal

amount of all other Indebtedness then outstanding and incurred pursuant to this clause (4) and including all Refinancing Indebtedness (as defined below) incurred to refund, refinance or replace any other Indebtedness or Preference Shares issued by a Restricted Subsidiary of the Issuer that is not a Guarantor incurred pursuant to this clause (4), does not exceed the greater of €100 million and 5.0% of Total Assets as of the date of such incurrence;

(5) Indebtedness incurred by the Issuer or any of its Restricted Subsidiaries constituting (A) reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including letters of credit in respect of workers' compensation claims, or other Indebtedness incurred with respect to reimbursement type obligations regarding workers' compensation claims; *provided* that, upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or incurrence; (B) reimbursement obligations with respect to bank guarantees and VAT guarantees issued in the ordinary course of business, *provided,* however, that, upon demand being made under such reimbursement obligations, such demand is satisfied within 30 days of the date of such demand; or (C) arising from the honoring of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided* that such Indebtedness is extinguished within five business days of its Incurrence;

(6) Indebtedness arising from agreements of the Issuer or any Restricted Subsidiary of the Issuer providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred or assumed by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; *provided, however,* that (A) such Indebtedness is not reflected on the balance sheet of the Issuer or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (6)(a)) and (B) the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness in respect of any disposition shall at no time exceed the gross proceeds including non-cash proceeds (the fair market value (as determined in good faith by the Issuer) of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(7) Indebtedness of the Issuer or any of its Restricted Subsidiaries owed to the Issuer or any of its Restricted Subsidiaries; *provided* that:

  (a) if the Issuer is the obligor on such Indebtedness, such Indebtedness must (i) be expressly subordinated in right of payment to all Obligations with respect to the Notes or (ii) constitute a Working Capital Intercompany Loan; and

  (b) if a Guarantor is the obligor on such Indebtedness, such Indebtedness must either (i) be expressly subordinated in right of payment to all Obligations with respect to the Guarantee, as applicable; or (ii) constitute a Working Capital Intercompany Loan; *provided that* in the case of clause (i) if such Indebtedness is the Proceeds Loan, an Additional Proceeds Loan or an Intercompany Funding Loan, it may rank *pari passu* with Obligations with respect to the Guarantee; and

  (c) any subsequent issuance or transfer of any Share Capital or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an incurrence of such Indebtedness by the Issuer or the Restricted Subsidiary, as the case may be, that was not permitted by this clause (7);

(8) Preference Shares of a Restricted Subsidiary of the Issuer issued to the Issuer or another Restricted Subsidiary of the Issuer; *provided* that any subsequent issuance or transfer of any Share Capital or any other event which results in any such Restricted Subsidiary to which any such Preference Shares have been issued ceasing to be a Restricted Subsidiary of the Issuer or any subsequent transfer of any such Preference Shares (except to the Issuer or any of its Restricted Subsidiaries) shall be deemed, in each case, to be an issuance of such Preference Shares not permitted by this clause (8);

(9) Hedging Obligations incurred (A) for the purpose of fixing or hedging interest rate risk with respect to or in connection with any Indebtedness that is permitted by the terms of the Indenture to be outstanding or (B) for the purpose of fixing or hedging currency exchange rate risk or changes in the prices of commodities and, in each case, not entered into for speculative purposes and including any such Hedging Obligations incurred in connection with the issuance of the Notes;

(10) Obligations in respect of performance, surety, judgment, appeal, advance payment, customs or other similar bonds and completion or performance guarantees and warranties provided by, or similar credit transactions entered into by, the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;

(11) Indebtedness and/or Disqualified Share Capital of the Issuer or any of its Restricted Subsidiaries and Preference Shares of any Restricted Subsidiary of the Issuer not otherwise permitted hereunder in an aggregate principal amount, which when aggregated with the principal amount (or liquidation preference or redemption price, as the case may be) of all other Indebtedness and Disqualified Share Capital and Preference Shares then outstanding and incurred pursuant to this clause (11), does not at any one time exceed €225 million; *provided* that any Indebtedness or Disqualified Share Capital incurred or issued pursuant to this clause (11) shall cease to be deemed incurred, issued or outstanding for purposes of this clause (11) but shall be deemed incurred or issued for the purposes of the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary could have incurred or issued such Indebtedness, Preference Shares or Disqualified Share Capital under the first paragraph of this covenant without reliance on this clause (11);

(12) (a) any guarantee by the Issuer of Indebtedness of any of its Restricted Subsidiaries so long as the incurrence of such Indebtedness by such Restricted Subsidiary is permitted under the terms of the Indenture;

(b) any guarantee by a Restricted Subsidiary of the Issuer of Indebtedness of the Issuer or any of its Restricted Subsidiaries permitted under the terms of the Indenture; *provided* that such guarantee is incurred in accordance with the covenant described below under "—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries;" and

(c) without limiting the covenant described under "—Liens," Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer arising by reason of any Lien granted by or applicable to the Issuer or such Restricted Subsidiary securing Indebtedness of the Issuer or any Restricted Subsidiary permitted to be incurred under the terms of the Indenture;

(13) the incurrence by the Issuer of Indebtedness or Disqualified Share Capital or by any Restricted Subsidiary of the Issuer of Indebtedness or Preference Shares which serves to refund or refinance any Indebtedness, Disqualified Share Capital or Preference Shares incurred or issued as permitted under the first paragraph of this covenant and clause (2), (3) or (4) above, this clause (13) or clause (14) or (15) below or any Indebtedness, Disqualified Share Capital or Preference Shares issued to so refund or refinance such Indebtedness, Disqualified Share Capital and Preference Shares, including additional Indebtedness, Disqualified Share Capital and/or Preference Shares

incurred to pay premiums and fees in connection therewith (the "*Refinancing Indebtedness*") prior to its respective maturity; *provided* that:

(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 Share Capital or Preference Shares being refunded or refinanced;

(b) to the extent such Refinancing Indebtedness refinances (i) Subordinated Indebtedness or Indebtedness which ranks *pari passu* with the Notes or any Guarantee or the Proceeds Loan, as the case may be, such Refinancing Indebtedness must be subordinated in right of payment to, or *pari passu* with the Notes or such Guarantee or the Proceeds Loan, as the case may be, at least to the same extent as the Indebtedness being refinanced or refunded or (ii) Disqualified Share Capital, such Refinancing Indebtedness must be Preference Shares;

(c) such Refinancing Indebtedness shall not include Indebtedness or Preference Shares of a Restricted Subsidiary that refinances Indebtedness or Disqualified Share Capital of the Issuer; and

(d) in the case of a refinancing of the Subordinated Propco Loans only such Refinancing Indebtedness is in the form of one or more Subordinated Propco Loans and any changes in the terms of such Refinancing Indebtedness are not disadvantageous to the Holders in any material respect;

provided further that sub-clause (a) and (b) of this clause (13) will not apply to any Refinancing Indebtedness of any Restricted Subsidiary of the Issuer that is not a Guarantor, or apply to any refunding or refinancing of any Indebtedness that is secured by a Lien;

(14) Indebtedness, Disqualified Share Capital or Preference Shares of Persons that are acquired by the Issuer or any Restricted Subsidiary of the Issuer or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or a Restricted Subsidiary of the Issuer in accordance with the terms of the Indenture; *provided* that such Indebtedness, Disqualified Share Capital or Preference Shares are not incurred or issued in connection with such acquisition, merger, consolidation, amalgamation or other combination, and, after giving effect to such acquisition, merger, consolidation, amalgamation or other combination, either:

(a) the Issuer or such Restricted Subsidiary would be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of this covenant; or

(b) the Fixed Charge Coverage Ratio of the Issuer is no less than immediately prior to such acquisition, merger, consolidation, amalgamation or other combination;

(15) the issuance by the Issuer or any Guarantor of Shareholder Debt;

(16) Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer consisting of (A) Capitalized Lease Obligations, mortgage financings, purchase money obligations or other financings, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise incurred in connection with the acquisition of all of the Share Capital or all or substantially all of the assets of a Person engaged in Similar Business up to an amount for all Indebtedness incurred pursuant to this clause (16) equal to 100% of the net cash proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Shareholder Debt or Equity Interests (other than Disqualified Share Capital, Designated Preference Shares or Excluded Contributions) or otherwise contributed to the equity (other than

through the issuance of Disqualified Share Capital, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; provided, however, that any such net cash proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under clause (c) of the first paragraph and clause (2), (4) and (8) of the second paragraph of the covenant described above under "—Limitation on Restricted Payments" to the extent the Issuer and its or any Restricted Subsidiaries incurs Indebtedness or issues Disqualified Share Capital or Preference Shares in reliance thereon; and

(17) Indebtedness incurred by a Receivables Subsidiary in a Qualified Receivables Financing that is not recourse to the Issuer or any of its Restricted Subsidiaries other than a Receivables Subsidiary (except for Standard Securitization Undertakings).

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness, Disqualified Share Capital or Preference Shares meets the criteria of more than one of the categories described in clauses (1) through (17) above or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer shall, in its sole discretion, classify and, from time to time, may reclassify such item of Indebtedness, Disqualified Share Capital or Preference Shares in any manner that complies with this covenant and such item of Indebtedness, Disqualified Share Capital or Preference Shares will be treated as having been incurred pursuant to only one of such clauses or pursuant to the first paragraph hereof (except as otherwise set forth in clause (11)).

The accrual of interest or dividends, the accretion of accreted value or original issue discount, the payment of interest or dividends in the form of additional Indebtedness (including Shareholder Debt), Disqualified Share Capital or Preference Shares with substantially equivalent terms and the reclassification of commitments or obligations not treated as Indebtedness on the Issue Date as Indebtedness due to a change in GAAP to IFRS or US GAAP, will not be deemed to be an incurrence of Indebtedness, Disqualified Share Capital or Preference Shares for purposes of this covenant.

For purposes of determining compliance with this covenant, the euro-equivalent principal amount of Indebtedness denominated in any currency other than euro shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro denominated Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving debt; *provided* that, if Indebtedness is incurred to refinance other Indebtedness denominated in a different currency, and such refinancing would cause a euro-denominated restriction specified in this covenant to be exceeded if calculated at the otherwise applicable currency exchange rate, such restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; and *provided further* that if any amount under a revolving credit facility may be reallocated into a different currency, and Indebtedness is incurred pursuant to such a revolving credit facility, a euro-denominated restriction specified in this covenant that would have been exceeded if the amount of such Indebtedness were calculated at the otherwise applicable currency exchange rate shall be deemed not to have been exceeded if such restriction would not have been exceeded were the principal amount of such Indebtedness to have been calculated at the currency exchange rate applicable on the date of such reallocation.

Subject to the preceding proviso, 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.

Liens

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens), in each case, to secure any Indebtedness on any asset or property of the Issuer or its Restricted Subsidiaries, or any income or profits therefrom, or assign or convey any right to receive income therefrom (the "*Initial Lien*"), in each case, unless, at or prior thereto, the Notes are equally and ratably secured with (or senior to, in the event the Lien relates to Subordinated Indebtedness) the Obligations so secured.

Any such Lien will be automatically and unconditionally released and discharged concurrently with (i) the unconditional release of the Initial Lien (provided that if the release is in connection with the sale of the pledged assets the proceeds are applied to the secured parties to the extent required by the relevant security documents), (ii) if the assets subject to such Lien, or all of the Share Capital of the owner of such assets or any Holding Company of such owner owned by the Issuer and its Subsidiaries or any Holding Company of such owner, are sold or otherwise disposed of in each case, to any Person other than the Issuer or a Restricted Subsidiary and the proceeds therefrom are applied in accordance with the provisions of the covenant described under "—Repurchase at the Option of Holders—Asset Sales", (iii) upon the full and final payment of all amounts payable by the Issuer under the Notes and the Indenture or (iv) upon the defeasance or discharge of the Notes in accordance with "—Legal Defeasance and Covenant Defeasance" or "—Satisfaction and Discharge."

Merger, Consolidation or Sale of All or Substantially All Assets

The Issuer shall not merge, consolidate, amalgamate or otherwise combine with or into or wind up into any Person (whether or not the Issuer is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets directly or indirectly (through a sale of its shares or assets or otherwise) in one or more related transactions, to any Person, unless:

(1) the Issuer is the surviving or resulting corporation, or the Person formed by or surviving any such merger, consolidation, amalgamation or other combination (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made, is organized or existing under the laws of any state which is a member of the European Union, Canada, the United States of America, any state thereof or the District of Columbia or any territory thereof (such Person, as the case may be, being herein called the "*Successor Issuer*");

(2) the Successor Issuer, if other than the Issuer, expressly assumes all the obligations of the Issuer under the Indenture, the Intercreditor Agreement, the Security and the Notes (except with respect to any transaction of a kind set forth below in clause (a) of the last paragraph of this covenant) pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Trustee;

(3) immediately after giving effect to such transaction or related transactions on a pro forma basis, no Default or Event of Default exists;

(4) immediately after giving *pro forma* effect to such transaction, as if such transaction had occurred at the beginning of the applicable four-quarter period:

    (a) the Issuer or any Successor Issuer, as applicable, would be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares;" or

    (b) the Fixed Charge Coverage Ratio for the Issuer or any Successor Issuer, as applicable, would be greater than the Fixed Charge Coverage Ratio for the Issuer on an historical basis for such four-quarter period;

(5) each Guarantor (if not a party to the transaction) of the Notes (if any) shall have by supplemental indenture confirmed its Guarantee of the Notes (unless such Guarantee shall be released in connection with the transaction and otherwise in compliance with the Indenture); and

(6) the Issuer shall have delivered to the Trustee an Officer's Certificate and an opinion of counsel, to the effect that such merger, consolidation, amalgamation, other combination or transfer and such supplemental indenture comply with the Indenture.

The Successor Issuer will succeed to, and be substituted for the Issuer under the Indenture, the Intercreditor Agreement, the Security (as applicable) and the Notes; *provided* that following any lease or similar conveyance of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries in one or more related transactions, each of the lessor and the lessee (or equivalent) shall remain liable for the obligations of the Issuer under the Indenture, the Intercreditor Agreement, the Security (as applicable) and the Notes.

Notwithstanding the requirements of clause (4) of the first paragraph of this "—Merger, Consolidation or Sale of All or Substantially All Assets" covenant:

(a) the Issuer and Target may merge, amalgamate or otherwise combine into Target or the Issuer, as the case may be;

(b) a Restricted Subsidiary of the Issuer may merge, consolidate, amalgamate or otherwise combine into the Issuer or any Guarantor or transfer all or part of its properties and assets to the Issuer or any Guarantor; and

(c) the Issuer may merge with an Affiliate organized solely for the purpose of incorporating the Issuer in any state which is a member state of the European Union, Canada or the United States of America, any state thereof, or the District of Columbia or any territory thereof to realize tax or other benefits (including in connection with the conversion of the Issuer from a Dutch N.V. to a Dutch B.V.) so long as the amount of Indebtedness of the Issuer and its Restricted Subsidiaries is not increased thereby.

The foregoing provisions (other than the requirements of clause (3) of the first paragraph of this "Merger, Consolidation or Sale of All or Substantially All Assets" covenant) shall not apply to (A) a Permitted Reorganization conducted in compliance with the definition thereof or (B) any transactions which constitute an Asset Sale if the Issuer has complied with the covenant described under "—Repurchase at the Option of Holders—Asset Sales," to the extent (i) the sale is not made to an Affiliate of the Issuer, (ii) the Net Proceeds received by the Issuer in connection with such sale are in an amount no less than the then outstanding principal amount of the Notes plus accrued and unpaid interest and (iii) the Issuer makes an Asset Sale Offer to all Holders with the proceeds of such Asset Sale and accepts for payment all Notes tendered in such offer. For the purposes of this covenant, the sale, lease or transfer of a single Business Unit of the Issuer and its Restricted Subsidiaries shall not be deemed to be a sale, lease or transfer of "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries unless four or fewer Business Units are owned by the Issuer and its Restricted Subsidiaries prior to any such sale, lease or transfer.

Any Indebtedness that becomes an obligation of the Issuer or a Restricted Subsidiary of the Issuer or Preference Shares that become an obligation of a Restricted Subsidiary of the Issuer that is not a Guarantor (or are deemed to be incurred by or become the obligations of any entity that becomes a Restricted Subsidiary) as a result of any transaction taking place in compliance with clause 4(b) above shall be deemed to have been incurred in compliance with the covenant entitled "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares" (including for the purposes of refinancing such Indebtedness in accordance with clause (13) of such covenant).

Transactions with Affiliates

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each of the foregoing, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of €10 million, unless:

(1) such Affiliate Transaction is on terms that are not materially less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and

(2) the Issuer delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €15 million, a resolution adopted by a majority of the members of the Board of Directors of the Issuer approving such Affiliate Transaction and set forth in an Officer's Certificate delivered to the Trustee certifying that such Affiliate Transaction complies with clause (1) above.

The foregoing provisions will not apply to the following:

(1) transactions between or among the Issuer and/or any of its Restricted Subsidiaries and/or, to the extent any such transaction is in the ordinary course of business, any Joint Venture (which is only an Affiliate only by virtue of the Issuer's or any of its Restricted Subsidiaries' ownership in such Joint Venture);

(2) Permitted Investments, or Restricted Payments permitted by the provisions of the Indenture described above under the covenant "—Limitation on Restricted Payments";

(3) the payment of customary annual management, consulting, monitoring and advisory fees and related expenses to any of Kohlberg Kravis Roberts & Co. L.P., AlpInvest Partners N.V., Cinven Limited, Permira Advisers Limited or any Affiliate of any of them or fund advised, managed or represented by any of them (whether directly or indirectly);

(4) payment of reasonable and customary fees to, indemnities provided on behalf of, and expenses (including expense reimbursement, employee benefit and pension expenses) of and relating to officers, directors, employees or consultants of the Issuer, any of its Parent Companies or any Restricted Subsidiary of the Issuer and payments by the Issuer or any Restricted Subsidiary to any of Kohlberg Kravis Roberts & Co. L.P., AlpInvest Partners N.V., Cinven Limited, Permira Advisors Limited or any Affiliate of any of them or fund advised, managed or represented by any of them (whether directly or indirectly) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments are approved by a majority of the members of the Board of Directors of the Issuer in good faith;

(5) transactions as to which the Issuer or the relevant Restricted Subsidiary of the Issuer, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary as the case may be, from a financial point of view or meets the requirements of clause (1) of the preceding paragraph;

(6) payments or loans (or cancellation of loans) to or for the benefit of any Management Equity Subsidiary and/or management, employees or consultants of the Issuer, any Parent Company of the Issuer or any Restricted Subsidiary of the Issuer, in each case, which are approved by a majority of the members of the Board of Directors of the Issuer in good faith;

(7) any agreement of the Issuer and/or its Restricted Subsidiaries as in effect as of the Issue Date, including each agreement entered into in connection with the Transactions, or any amendment thereto after the Issue Date (so long as any such amendment is not disadvantageous to the Holders in any material respect) or any transaction contemplated thereby;

(8) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of any shareholders' agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party as of the Issue Date and any similar agreements which it may enter into thereafter; *provided* that the existence of, or the performance by the Issuer or any Restricted Subsidiary of the Issuer of obligations under, any future amendment to any such existing agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (8) to the extent that the terms of any such amendment or new agreement are not disadvantageous to the Holders in any material respect;

(9) the Transactions and the payment of fees and expenses related to the Transactions, in each case, as disclosed in this offering memorandum, and any Permitted Reorganization;

(10) transactions with customers, clients, suppliers, purchasers or sellers of goods or services, in each case, in the ordinary course of business and otherwise in compliance with the terms of the Indenture which are fair to the Issuer and its Restricted Subsidiaries, in the good faith determination of a majority of the members of the Board of Directors of the Issuer or of the senior management thereof, or are on terms at least as favorable to the Issuer or the relevant Restricted Subsidiary as might reasonably have been obtained at such time from an unaffiliated party;

(11) the issuance of (A) Equity Interests (other than Disqualified Share Capital) of the Issuer to any Permitted Holder, Parent Company of the Issuer, Management Equity Subsidiary or any member of management, employee or consultant of the Issuer, any Restricted Subsidiary of the Issuer and any direct or indirect Parent Company of the Issuer and (B) Shareholder Debt, provided that the interest rate and other financial terms of such Shareholder Debt are approved by a majority of the members of the Board of Directors of the Issuer in good faith; and

(12) any transaction effected as part of a Qualified Receivables Financing or a Permitted Propco Transaction.

Dividend and Other Payment Restrictions Affecting Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary of the Issuer to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any such Restricted Subsidiary to:

(1) (a) pay dividends or make any other distributions to the Issuer or any Restricted Subsidiary of the Issuer:

(I) on its Share Capital; or

(II) with respect to any other interest or participation in, or measured by, its profits; or

(b) pay any Indebtedness owed to the Issuer or any Restricted Subsidiary of the Issuer;

(2) make loans or advances to the Issuer or any Restricted Subsidiary of the Issuer; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary of the Issuer.

The preceding paragraph will not prohibit any such encumbrances or restrictions existing under or by reason of:

(1) any agreement or instrument in effect at or entered into on the Issue Date (including the Senior Facilities, the Indenture, the Notes, the Intercreditor Agreement and the Proceeds Loan);

(2) pursuant to any agreement or instrument of a Person, or related to Indebtedness or Share Capital of a Person, which Person is acquired by or merged, amalgamated, consolidated or otherwise combined with or into the Issuer or any of its Restricted Subsidiaries, or which agreement or instrument is assumed by the Issuer or any of its Restricted Subsidiaries in connection with an acquisition of assets from such person, as in effect at the time of such acquisition, merger, amalgamation, consolidation or combination (except to the extent that such Indebtedness was incurred to finance, or otherwise incurred in connection with such acquisition, merger, amalgamation, consolidation or combination); *provided* that for purposes of this clause (2), if another Person is the Successor Issuer, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed, as the case may be, by the Issuer or any of its Restricted Subsidiaries, as the case may be, when such Person becomes the Successor Issuer;

(3) pursuant to an agreement or instrument (a "*Refinancing Agreement*") effecting a refinancing of Indebtedness or Preference Shares incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument or obligation referred to in clauses (1) through (12) of this paragraph (an "*Initial Agreement*") or contained in any amendment, supplement or other modifications to an Initial Agreement (an "*Amendment*"); *provided, however*, that the encumbrances and restrictions contained in any such Refinancing Agreement or Amendment are not materially less favorable to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such Refinancing Agreement or Amendment relates (as determined in good faith by the Issuer);

(4) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature discussed in clause (3) of the preceding paragraph on the property so acquired;

(5) applicable law or any applicable rule, regulation or order or any governmental or regulatory authority;

(6) contracts for the sale of assets relating only to the assets subject to such contract, including customary restrictions with respect to a Subsidiary of the Issuer pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Share Capital or assets of such Subsidiary;

(7) secured Indebtedness otherwise permitted to be incurred pursuant to the covenants described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares" and "—Liens" that limit the right of the debtor to dispose of the assets securing such Indebtedness;

(8) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(9) any agreement or instrument (A) relating to any Indebtedness or Preference Shares of a Restricted Subsidiary of the Issuer permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares" (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than the encumbrances and restrictions contained in the Senior Facilities (as determined in good faith by the Issuer) or (ii) if the encumbrances and restrictions are not materially more disadvantageous to the Holders than is customary incomparable financings (as determined in good faith by the Issuer) and either (x) the Issuer determines that such encumbrance or restriction will not adversely affect the Issuer's ability to make principal and interest payments on the Notes as and when they come due or (y) such encumbrances and

restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness, (B) constituting an intercreditor agreement on terms substantially equivalent to the Intercreditor Agreement or (C) relating to any loan or advance by the Issuer to a Restricted Subsidiary of the Issuer subsequent to the Issue Date; *provided that* with respect to clause (C) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than the encumbrances and restrictions contained in the Senior Facilities, the Share Pledges, the Proceeds Loan, the Proceeds Loan Pledges and the Intercreditor Agreement (as in effect on the Issue Date);

(10) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business;

(11) customary restrictions on fiduciary cash held by the Issuer's Restricted Subsidiaries;

(12) customary provisions contained in leases and other agreements, in each case, entered into in the ordinary course of business or any Permitted Lien; and

(13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing.

Limitation on Guarantees of Indebtedness by Restricted Subsidiaries

The Issuer will cause each Restricted Subsidiary that is a Significant Subsidiary that, after the Issue Date,

(a) guarantees Indebtedness under the Senior Facilities; or

(b) guarantees Indebtedness of the Issuer or a Guarantor (other than Indebtedness under the Senior Facilities or pursuant to GAAP Operating Leases);

to simultaneously or prior thereto execute and deliver a supplemental indenture or other appropriate agreement providing for such Restricted Subsidiary's Guarantee of the Notes on the same terms and conditions as those set forth in the Indenture (each such Guarantee of the Notes, an "*Additional Guarantee*").

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent that such Guarantee would reasonably be expected to give rise to or result in:

(1) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Restricted Subsidiary;

(2) any liability for the officers, directors or shareholders of such Restricted Subsidiary; or

(3) any cost, expense, liability or obligation (including with respect to any Tax) other than reasonable out of pocket expenses and other than reasonable governmental expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) undertaken in connection with, such Guarantee,

which in any such case cannot be avoided through measures reasonably available to the Issuer or the Restricted Subsidiary.

Each Additional Guarantee shall rank (x) subordinate in right of payment to any guarantee of Indebtedness under the Senior Facilities or any other Senior Debt and shall constitute Senior Subordinated Debt of such Guarantor and (y) prior in right of payment to any Subordinated Indebtedness of such Guarantor.

Notwithstanding the foregoing and the other provisions of the Indenture, any Additional Guarantee by a Restricted Subsidiary of the Issuer of the Notes shall provide by its terms that it shall be automatically and unconditionally released and discharged in the circumstances described below. Any Additional Guarantee shall be considered a "—Guarantee" as described in "Guarantees", and, in particular, shall be subject to the subordination provisions described therein and subject to the Intercreditor Agreement and any Additional Intercreditor Agreement.

A Guarantee as to any Guarantor shall terminate and be of no further force or effect and such Guarantor shall be deemed to be released from all obligations in respect of the Notes upon the events described under "—Guarantees."

Limitation on Layering

The Issuer will not, and will not permit any Guarantor to, directly or indirectly, incur any Indebtedness (other than Indebtedness described in clause (14) of the second paragraph of the covenant under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares") that is subordinate in right of payment to any Indebtedness of the Issuer or any Guarantor, as the case may be, unless such Indebtedness is either (a) equal in right of payment with the Notes or such Guarantor's Guarantee, as the case may be, or (b) subordinate in right of payment to the Notes or such Guarantor's Guarantee, as the case may be.

Reports and Other Information

The Issuer will (x) make available to the investor website service maintained by Bloomberg L.P. (or if such service website is no longer maintained or accessible for these purposes, a similar service) or (y) post on its website, and in either case provide the Trustee and Holders the following reports:

(1) within 120 days after the end of the Issuer's fiscal year (or 150 days in the case of the first fiscal year of the Issuer ending after the Issue Date), annual reports containing a level of detail that is comparable in all material respects to this offering memorandum and the following information: (a) audited consolidated balance sheets of the Issuer (including the Propco Companies) as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer (including the Propco Companies) for the three most recent fiscal years, including appropriate footnotes to such financial statements, for and as of the end of each such financial year, and the report of the independent auditors on the financial statements; (b) unaudited consolidated balance sheets of the Issuer (excluding the Propco Companies) as of the end of the two (or, if less, as many fiscal years have elapsed since the Issue Date) most recent fiscal years and unaudited consolidated income statements and statements of cash flow of the Issuer (excluding the Propco Companies) for the three (or, if less, as many fiscal years have elapsed since the Issue Date) most recent fiscal years, including appropriate footnotes to such financial statements, for and as of the end of each such financial year, in each case, reconciled to the audited financial statements referred to in clause (a) above; (c) pro forma income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (d) to the extent relating to annual periods, an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (e) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (f) material risk factors and material recent developments; *provided* that such annual reports need not contain figures or discussion relating to the corresponding prior year periods for the fiscal years ended February 1, 2004 and February 2, 2003 relating to the Issuer excluding the Propco Companies except for a

statement of the consolidated revenues, EBITDA, capital expenditures, net debt, interest expense and net rental expense of the Issuer excluding the Propco Companies;

(2) within 60 days (or, in the case of the first such fiscal quarter, 90 days) following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending November 1, 2004 all quarterly financial statements containing the following information: (a) an unaudited condensed consolidated balance sheet (including the Propco Companies) as of the end of such quarter and unaudited condensed statements of income and cash flow (including Propco Companies) for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) an unaudited consolidated balance sheet of the Issuer (excluding the Propco Companies) as of the end of such quarter and unaudited condensed statements of income and cash flow (including Propco Companies) for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure, in each case, reconciled to the unaudited financial statements referred to in clause (a) above; (c) pro forma income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter; (d) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (e) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; *provided* that in the case of the first three such quarterly reports, such reports need not contain figures or discussion relating to the corresponding prior year periods relating to the Issuer excluding the Propco Companies except for a statement of the consolidated revenues, EBITDA, capital expenditures, net debt, interest expense and net rental expense of the Issuer excluding the Propco Companies; and

(3) promptly after the occurrence of a material acquisition, disposition, restructuring, senior management changes at the Issuer or change in auditors, a report containing a description of such event.

All financial statement and pro forma financial information shall be prepared on a consistent basis for the periods presented; provided, however, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable GAAP, present earlier periods on a basis that applied to such periods, subject to the provisions of the Indenture. No report need include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Issuer. At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries (other than the Propco Companies), then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in the operating and financial review of the financial condition and results of operations, of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the US Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer will furnish to the Holders, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act.

For so long as the Notes are listed on the Irish Stock Exchange and the rules of that Stock Exchange will so require, the above information will also be made available in Dublin through the offices of the Paying Agent in Dublin.

Impairment of Security Interest

The Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary of the Issuer to, take or omit to take any action which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood 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 the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes (other than any Additional Notes) and the other beneficiaries described in the Security, any interest whatsoever in any of the Collateral, except that the Issuer and its Restricted Subsidiaries may incur Permitted Collateral Liens; provided, however, that (a) nothing in this provision shall restrict the release or replacement of any Security in compliance with the terms of the Indenture as described under "—Security—Releases" and (b) any Security may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, if contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (2) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and/or the Security Trustee, as the case may be, shall (subject to customary protections and indemnifications) consent to any such amendment, extension, renewal, restatement, supplement, modification or replacement without the need for instructions from the Holders.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, any series of the Notes has achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing ("*a Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which such series of the Notes ceases to have Investment Grade Status, the provisions of the Indenture summarized under the following captions will not apply to such series of the Notes: "—Limitation on Restricted Payments," "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares," "—Dividend and Other Payment Restrictions Affecting Subsidiaries," "—Transactions with Affiliates," and under "—Repurchase at the Option of Holders," the provisions of clause (3) of the first paragraph of the covenant described under "—Merger, Consolidation or Sale of All or Substantially All Assets," and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries in respect of such series of the Notes. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the "—Limitation on Restricted Payments" covenant will be interpreted as if it had been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

Additional Intercreditor Agreements

The Indenture will provide that at the request of the Issuer, at the time of, or prior to, the Incurrence by the Issuer or any Guarantor of any Indebtedness permitted pursuant to the first paragraph of the covenant described under "—Certain Covenants—Limitation or Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares" (including by way of a guarantee of Indebtedness of the Issuer or a Restricted Subsidiary) or clauses (1), (11) or (13) of the second paragraph of the covenant described under "—Certain Covenants—Limitation or Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares," (in each case, to the extent such Indebtedness is Incurred under Credit Facilities with Persons other than Affiliates of the Issuer or is Public Indebtedness) the Issuer, the relevant Guarantors and the Trustee shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") on substantially the same terms as the Intercreditor Agreement, including containing substantially the same terms with respect to the subordination, payment blockage, limitation on enforcement and release of guarantees and, subordination, payment blockage, release, limitations on enforcement, priority and release of security interests (or terms more favorable to the Holders); provided that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture or the Intercreditor Agreement. Pursuant to any such Intercreditor Agreement, such other Indebtedness may constitute Senior Debt, Senior Subordinated Debt that is *pari passu* with the Guarantees or Subordinated Indebtedness. Any such Additional Intercreditor Agreement shall provide for the release for any subordinated guaranteed security on the same terms as the Guarantees.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee shall from time to time enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement (the "*Intercreditor Agreements*") to: (i) cure any ambiguity, omission, defect or inconsistency in any of the Intercreditor Agreements, (ii) increase the amount of Indebtedness of the types covered by any of the Intercreditor Agreements that may be incurred by the Issuer or a Guarantor that is subject to any of the Intercreditor Agreements (including the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (iii) add Guarantors to any of the Intercreditor Agreements, (iv) further secure the Notes (including Additional Notes), (v) make provision for the security securing the Additional Notes to rank *pari passu* with the Security, (vi) to provide for the discharge of any of the Intercreditor Agreements to the extent that Indebtedness that is Senior Debt thereunder has been discharged or is to be refinanced, or (vii) make any other such change to any of the Intercreditor Agreements that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate or principal amount of the Notes then outstanding, except as otherwise permitted by "Amendment, Supplement and Waiver" and the Issuer may only direct the Trustee to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture or such Intercreditor Agreement.

The Indenture shall also provide that, in relation to any of the Intercreditor Agreements, the Trustee shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby provided that such transaction would comply with the provisions of the Indenture described under the covenant "—Certain Covenants—Limitation on Restricted Payments."

The Indenture also will provide that each holder of a Note, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of each of the Intercreditor Agreements (whether then entered into or entered into in the future pursuant to the provisions described herein).

A copy of any of the Intercreditor Agreements shall be available for inspection during normal business hours on any Business Day upon prior written request at the office of the Trustee and, for so long as any Notes are listed on the Irish Stock Exchange, at the offices of the paying agent in Dublin.

Events of Default and Remedies

The following events constitute Events of Default under the Indenture:

(1) default for 30 days or more in the payment when due and payable of interest or any Additional Amounts on or with respect to the Notes;

(2) default in payment when due and payable, upon redemption, optional redemption (after such redemption becomes unconditional), repurchase, acceleration or otherwise, of principal or premium on the Notes;

(3) (x) failure by the Issuer for 30 days after receipt of written notice given by the Trustee or the Holders of at least 30% in principal amount of the Notes then outstanding to comply with its obligations described under "—Repurchase at the Option of Holders—Change of Control" or "—Certain Covenants" (in each case, other than a failure to comply with Clause (1) or (2)), or (y) failure by the Issuer for 60 days after receipt of written notice given by the Trustee or the Holders of at least 30% in principal amount of the Notes then outstanding to comply with its obligations under any of its other agreements in the Indenture or the Notes;

(4) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries or which is guaranteed by the Issuer or any of its Restricted Subsidiaries, other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists or is created after the Issue Date, if both:

    (a) such default either:

        (I) results from the failure to pay any such Indebtedness at its final stated maturity (after giving effect to any applicable grace periods); or

        (II) relates to an obligation other than the obligation to pay principal of any such Indebtedness at its final stated maturity and results in the holder or holders of such Indebtedness causing such Indebtedness or to be placed on demand to become due prior to its final stated maturity; and

    (b) the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at final stated maturity (after giving effect to any applicable grace periods), or which has been placed on demand or the maturity of which has been so accelerated, aggregate €25 million or more at anyone time outstanding;

(5) failure by the Issuer or any Significant Subsidiary of the Issuer to pay final judgments aggregating in excess of €35 million, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days 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;

(6) any Guarantee of any Significant Subsidiary of the Issuer ceases to be in full force and effect, or the relevant Guarantor asserts, in any pleading in any court of competent jurisdiction, that such Guarantee is invalid or unenforceable, other than, in each case, pursuant to limitations on enforceability, validity or effectiveness imposed by applicable law (other than limitations which are the result solely of actions taken by the Issuer or its Restricted Subsidiaries) or the terms of such

Guarantee or except in accordance with the terms of such Guarantee, the Intercreditor Agreements or the Indenture, including the release provisions thereof;

(7) the Security shall, at any time, cease to be in full force and effect, or the Security shall be declared invalid or unenforceable by a court of competent jurisdiction or the relevant grantor of such Security asserts, in any pleading in any court of competent jurisdiction, that such Security is invalid or unenforceable for any reason other than the satisfaction in full of all obligations under the Indenture and discharge of the Indenture, other than, in each case, pursuant to limitations on enforceability, validity or effectiveness imposed by applicable law (other than limitations which are the result solely of actions taken by the Issuer or its Restricted Subsidiaries) or the terms of such Security or except in accordance with the terms of such Security, the Intercreditor Agreements or the Indenture, including the release provisions thereof;

(8) the Issuer or any Significant Subsidiary of the Issuer pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case;

(ii) consents to the entry of an order for relief against it in an involuntary case;

(iii) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(iv) makes a general assignment for the benefit of its creditors; or

(v) or takes any comparable action under any foreign laws relating to insolvency; or

(9) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Issuer or any Significant Subsidiary of the Issuer in an involuntary case;

(ii) appoints a Custodian of the Issuer or any Significant Subsidiary of the Issuer or for any substantial part of its property; or

(iii) orders the winding up or liquidation of the Issuer or any Significant Subsidiary of the Issuer;

or any similar relief is granted under any foreign laws, and any such order or decree remains unstayed and in effect for 60 days.

The foregoing shall constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

The term "*Bankruptcy Law*" means the Dutch Bankruptcy Code (*Fallissementswet*) or any other Dutch law dealing with the incapability of a debtor to pay its debt, the debtor's over-indebtedness or a lack of assets to cover a debtor's outstanding debt or the laws of any other jurisdiction relating to bankruptcy, insolvency, winding up, liquidation, reorganization or the relief of debtors. The term "*Custodian*" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

In the case of an Event of Default arising under clauses (8) or (9) of the first paragraph of this section, all outstanding Notes will become immediately due and payable without further action or notice. If any Event of Default (other than of a type specified in clauses (8) or (9) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 30% in principal amount of the then outstanding Notes may declare the principal, premium, interest, and Additional Amounts, if any, and any other monetary obligations on all the then outstanding Notes to be due and payable immediately.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, including the limitations on enforcement described under "—Guarantees" and "—Security," Holders of a majority in principal amount of the then outstanding Notes issued under the Indenture may, subject to the Trustee being indemnified to its satisfaction, direct the Trustee in its exercise of any trust or power. The Indenture provides that the Trustee may withhold from Holders notice of any continuing Default or Event of Default, except a Default or Event of Default relating to the payment of principal, premium, interest, or Additional Amounts, if it determines that withholding notice is in their interest.

The Indenture provides that the Holders of a majority in aggregate principal amount of the then outstanding Notes issued thereunder by notice to the Trustee may on behalf of the Holders of all of such Notes waive any existing Default or Event of Default and its consequences under the Indenture, except a continuing Default or Event of Default in the payment of principal, premium, interest, and Additional Amounts, if any, of any such Note held by a non-consenting Holder.

In the event of any Event of Default specified in clause (4) of the first paragraph above, such Event of Default and all consequences thereof (excluding any resulting payment default in relation to the Notes) shall be annulled, waived and rescinded automatically and without any action of the Trustee or the Holders if, within 20 days after such Event of Default arose:

(1) the Indebtedness that gave rise to the Event of Default has been discharged;

(2) the Holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default; or

(3) the default that gave rise to the Event of Default has been cured.

The Indenture provides that the Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture and the Issuer is required within five Business Days upon becoming aware of any Default or Event of Default to deliver to the Trustee a statement specifying such Default or Event of Default.

No personal liability of directors, officers, employees and shareholders

No director, manager, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or any Parent Company of the Issuer shall have any liability for any obligations of the Issuer or any Subsidiary of the Issuer with respect to the Notes, the Guarantees, the Security, the Proceeds Loan or the Indenture, or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the US federal securities laws, and it is the view of the Commission that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have all of the obligations discharged with respect to the Notes, the Guarantees and the Security issued and incurred under the Indenture ("*Legal Defeasance*") and cure all then existing Events of Default except for:

(1) the rights of Holders to receive payments in respect of the principal, premium, if any, interest and Additional Amounts, if any, on such Notes when such payments are due solely out of the trust created pursuant to the Indenture;

(2) the Issuer's obligations concerning issuing temporary Notes, registration of such Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of a Paying Agent, Registrar and transfer agent, and holding money in trust for payments on the Notes;

(3) the rights, powers, trusts, duties, immunities and indemnities of the Trustee, and the obligations of the Issuer and the Guarantors in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and its Subsidiaries released with respect to certain covenants that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment on other indebtedness, bankruptcy, liquidation, reorganization, administration, moratorium and receivership events) described under the caption "—Events of Default and Remedies" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance with respect to the Notes issued under the Indenture:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in euro or euro-denominated non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, for the payment of the aggregate principal, premium, if any, interest and Additional Amounts, if any, on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

   (A) an opinion of counsel (reasonably acceptable to the Trustee) in the United States to the effect that Holders will not recognize income, gain or loss for US federal income tax purposes as a result of such deposit and defeasance and will be subject to US 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 Internal Revenue Service or other change in applicable US federal income tax law); and

   (B) an opinion of counsel (reasonably acceptable to the Trustee) in the jurisdiction of organization of the Issuer to the effect that the Holders will not recognize income, gain or loss for income tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to income tax in such jurisdiction 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;

(2) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness all or a portion of which will be used to defease the Notes concurrently with such incurrence to be applied to such deposit) or, with respect to certain bankruptcy, insolvency, reorganization, administration, moratorium or receivership Events of Default, on the 181st day after such date of deposit;

(3) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, the Credit Facilities of an aggregate principal amount of €25.0 million or greater or any other material agreement or instrument (other than the Indenture) to which the Issuer or any of its Restricted Subsidiaries is a party or by which the Issuer or any of its Restricted Subsidiaries is bound;

(4) the Issuer shall have delivered to the Trustee an opinion of counsel to the effect that, as of the date of such opinion and subject to customary assumptions and exclusions, following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, liquidation, reorganization, administration, moratorium, receivership or similar laws affecting creditors' rights generally under any applicable US federal or state law or the laws of the jurisdiction of

organization of the Issuer, and that the Trustee has a perfected security interest in such trust funds for the ratable benefit of the Holders;

(5) the Issuer shall have delivered to the Trustee 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

(6) the Issuer shall have delivered to the Trustee 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 the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Upon Legal Defeasance or Covenant Defeasance, the Security and the Guarantees and any related events of default, shall also be discharged and released and cease to be of further effect.

Satisfaction and Discharge

The Indenture, the Notes, the Security, the Guarantees and the Intercreditor Agreements and any related events of default, will be discharged and will cease to be of further effect when

(1) either:

(a) all such Notes theretofore authenticated and delivered, except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust, have been delivered to the Trustee for cancellation; or

(b) all Notes not theretofore delivered to such Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable within one year and the Issuer has irrevocably deposited or caused to be deposited with such Trustee as trust funds in trust solely for the benefit of the Holders, cash in euro or euro-denominated non-callable Government Securities, or any combination thereof, in such amounts as will be sufficient to pay and discharge the entire Indebtedness including principal, premium, interest, and Additional Amounts to the date of maturity or redemption on such Notes not theretofore delivered to the Trustee for cancellation;

(2) no Default or Event of Default with respect to the Indenture or the Notes issued thereunder shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which the Issuer or any Restricted Subsidiary of the Issuer is a party or by which the Issuer or any Restricted Subsidiary of the Issuer is bound;

(3) the Issuer has paid or caused to be paid all sums payable by the Issuer under the Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of such Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes, the Guarantees and the Security, the Proceeds Loan Agreement and any of the Intercreditor Agreements and any Additional Proceeds Loan Agreement may be amended or supplemented by the Issuer, its Restricted Subsidiaries and/or the Trustee and/or other parties thereto, as applicable, with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding and issued under the Indenture (including consents obtained in connection with a purchase of or tender offer or exchange offer for Notes) and any existing default or compliance with any provision of the Indenture, the Notes, the Guarantees and the Security, the Proceeds Loan Agreement and any of the Intercreditor Agreements and any Additional Proceeds Loan Agreement may be waived with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding and issued under the Indenture (including consents obtained in connection with a purchase of or tender offer or exchange offer for Notes), other than Notes beneficially owned by the Issuer or its Affiliates. To the extent that a proposed amendment, supplement, consent or waiver is sought that relates only to the rights associated with the Holders of either the Fixed Rate Notes or the Floating Rate Notes, such amendment, supplement, consent or waiver may only be given with the consent of the Holders of at least a majority in aggregate principal amount of the Fixed Rate Notes or the Floating Rate Notes, as the case may be, then issued and outstanding under the Indenture (including consents obtained in connection with a purchase of or tender offer or exchange offer for Notes), other than Notes beneficially owned by the Issuer or its Affiliates.

The Indenture provides that, except as otherwise provided herein, without the consent of each Holder affected, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of, or change the fixed maturity of, any such Note or amend or waive the provisions with respect to the redemption of the Notes (other than provisions relating to covenants described under "—Repurchase at the Option of Holders");

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) waive a Default or Event of Default in the payment of principal, premium, interest or Additional Amounts on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration) or in respect of a covenant or provision contained in the Indenture which cannot be amended or modified without the consent of all Holders;

(5) make any Note payable in money other than that stated in such Notes;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal, premium, interest or Additional Amounts on the Notes;

(7) impair the right of any Holder to receive payment of principal, premium, interest or Additional Amounts on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;

(8) change the ranking of the Notes;

(9) amend or waive any provision of any Guarantee that would adversely affect the Holders, except in accordance with the terms of the Indenture; or

(10) make any change in these amendment and waiver provisions.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, and any Restricted Subsidiary and the Trustee and/or other parties thereto (as applicable) may amend or supplement the Indenture, the Notes, the Guarantees and the Security, the Proceeds Loan Agreement and any of the Intercreditor Agreements and any Additional Proceeds Loan Agreement:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to comply with the covenant entitled "Merger, Consolidation or Sale of All or Substantially All Assets";

(4) to make any change that would provide any additional rights or benefits to the Trustee or the Holders or that does not adversely affect the legal rights of the Trustee or any such Holder under the Indenture, the Notes, the Guarantee, the Security and any of the Intercreditor Agreements, or to make incidental changes to implement transactions permitted by the terms of the Indenture and that do not adversely affect the legal rights of the Holders under the Indenture;

(5) to add covenants for the benefit of the Holders or to surrender any right or power conferred upon the Issuer under the Indenture;

(6) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof;

(7) subject to compliance with the requirement under the covenants "—Certain Covenant—Limitation on the Incurrence of Indebtedness and Issuance of Disqualified Share Capital or Preference Shares" and "—Certain Covenants—Impairment of Security Interest," to provide for Additional Notes;

(8) to provide for the accession by the Trustee to any of the Intercreditor Agreements;

(9) to add Guarantors and Guarantees with respect to the Notes or to release Guarantors from Guarantees or release the Security, in each case, as provided by the terms of the Indenture;

(10) (x) to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to Credit Facilities, in any property which is required by the Credit Facilities to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or (y) to the extent necessary to grant a security interest in any Collateral for the benefit of any Person, provided that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement and the covenant described under "—Certain Covenants—Impairment of Security Interest" is complied with;

(11) in the case of the Indenture, make any change that does not adversely affect the rights of any holder of the Notes in any material respect; or

(12) (x) make any change to the subordination provisions of the Indenture that would limit or terminate the benefits available to any holder of Senior Debt under such provisions or (y) to the extent permitted by the covenant described under "—Additional Intercreditor Agreements."

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Notices

All notices to the Holders (while any Notes are represented by one or more Global Notes) shall be delivered to Euroclear and Clearstream Banking, as applicable, for communication to entitled account holders or, alternatively, will be valid if published in a leading English language daily newspaper published in the City of London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that any such publication will normally be made in the *Financial Times.* So long as the Notes are listed on the Irish Stock Exchange and its rules so require, all notices to Holders will also be published in the *Irish Times* or in another daily newspaper having a wide circulation in Ireland approved by the Trustee. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. In the case of Definitive Registered Notes, notices will be mailed to Holders by first-class mail at their respective addresses as they appear on the records of the Registrar.

Notices given by publication will be deemed given on the first date on which publication is made. Notices delivered to Euroclear and Clearstream Banking will be deemed given on the date when delivered. Notices given by first class mail, postage paid, will be deemed given five calendar days after mailing whether or not the addressee receives it.

Concerning the Trustee

The Indenture contains 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; however, if it acquires any conflicting interest, it must eliminate such conflict within 90 days or resign.

The Indenture provides that the Holders of a majority in principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of such Notes, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Governing law

The Indenture, the Notes and the Guarantees will be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement is governed by and construed in accordance with English law. The Proceeds Loan Pledge, the Proceeds Loan and the Security will be governed by and construed in accordance with the laws of the Netherlands.

Consent to jurisdiction and service

The Issuer and each Guarantor will irrevocably submit to the jurisdiction of any state or federal court located in The Borough of Manhattan, City of New York in relation to any legal action or proceeding arising out of, related to or in connection with the Indenture and the Notes. The Issuer and each Guarantor will appoint CT Corporation as its agent for service of process in any such action or proceeding.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Indebtedness*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into, or becomes a Restricted Subsidiary of such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Acquisition*" means the acquisition by VDXK of the Share Capital of Target as contemplated by the Merger Protocol.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness (except Indebtedness of a Leasing SPV) and Share Capital) to be used by the Issuer or a Restricted Subsidiary of the Issuer in a Similar Business;

(2) the Share Capital of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Share Capital by the Issuer or another Restricted Subsidiary of the Issuer; or

(3) Share Capital constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer,

provided, *however*, that any such Restricted Subsidiary described in clause (2) or (3) above is primarily engaged in a Similar Business.

"*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 purposes of this definition, "*control*" (including, with correlative meanings, the terms "*controlling*," "*controlled by*" and "*under common control with*"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"*Applicable Premium*" means with respect to any Fixed Rate Note on any redemption date the greater of (i) 1% of the principal amount of such Note and (ii) the excess (to the extent positive) of:

(a) the present value at such redemption date of (i) the redemption price of such Senior Note on , 2008 (such redemption price expressed as a percentage of principal amount) being set forth in the table under the third paragraph under "—Optional Redemption—Redemption—Fixed Rate Notes" *plus* (ii) all required interest payments due on such Notes to and including , 2008 (excluding accrued but unpaid interest) computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; *over*

(b) the principal amount of such Fixed Rate Note.

"*Asset Sale*" means, with respect to any Person:

(1) the 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) of the Issuer or any Restricted Subsidiary (each referred to in this definition as a "*disposition*"); or

(2) the issuance or sale of Equity Interests of any Restricted Subsidiary, whether in a single transaction or a series of related transactions,

in each case, other than:

(a) a disposition of cash, Cash Equivalents or Investment Grade Securities;

(b) a disposition of obsolete or worn out equipment, equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries, or inventory or goods held for sale in each case, in the ordinary course of business;

(c) the disposition of all or substantially all of the assets of the Issuer in a manner permitted pursuant to the provisions described above under "—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets" or any disposition that constitutes a Change of Control or a Permitted Reorganization;

(d) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—Certain Covenants—Limitation on Restricted Payments" and any Permitted Investment;

(e) any disposition of property or assets of the Issuer or any Restricted Subsidiary and any issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of related transactions with an aggregate fair market value (as determined in good faith by the Issuer) of less than €15 million;

(f) any disposition of property or assets, or issuance or sale of securities, by a Restricted Subsidiary of the Issuer to the Issuer, or by any Restricted Subsidiary of the Issuer to another Restricted Subsidiary of the Issuer;

(g) any exchange of like property for use in a Similar Business;

(h) the lease, assignment or sublease of any real or personal property in the ordinary course of business;

(i) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary (with the exception of Investments in Unrestricted Subsidiaries acquired pursuant to clause (10) of the definition of Permitted Investments) or a Joint Venture;

(j) foreclosures on assets;

(k) sales or dispositions of Receivables Assets in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(l) any financing transaction with respect to property built or acquired by the Issuer or any of its Restricted Subsidiaries after the Issue Date (or equity interests of a Restricted Subsidiary holding substantially only property built or acquired by the Issuer or any of its Restricted Subsidiaries after the Issue Date), including sale leasebacks and asset securitizations not prohibited by the Indenture;

(m) the disposal or abandonment of intellectual property that it is no longer economically practicable to maintain or which is no longer required for the business of the Issuer and its Restricted Subsidiaries;

(n) the grant of licenses to intellectual property rights to third parties on an arms' length basis in the ordinary course of business;

(o) any sale or disposition of assets or properties as part of the Transactions; *provided* that the Net Proceeds thereof are applied to fund the Transactions and/or are applied in accordance with the covenant described above under "—Repurchase at the Option of Holders—Asset Sales;" and

(p) any sale or disposition of the business or assets of Consumer Electronics in a transaction or transactions pursuant to which the Issuer receives consideration at least equal to the fair market value (as determined in good faith by the Issuer) of the assets sold or otherwise disposed of and *provided* that at least €50.0 million of the Net Proceeds of any such sale or disposition are applied in accordance with the second paragraph of the covenant described above under "—Repurchase at the Option of Holders—Asset Sales."

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer and/or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Shares, (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary of the Issuer or (iii) a Leasing SPV.

"*Board of Directors*" means:

(1) with respect to the Issuer or any other corporation, the board of directors or managers of the corporation (which, in the case of any corporation having both a supervisory board and an executive or management board, shall be the executive or management board) or any duly authorized committee thereof;

(2) with respect to any partnership, the board of directors of the general partner of the partnership or any duly authorized committee thereof; and

(3) with respect to any other Person, the board or any duly authorized committee thereof or committee of such Person serving a similar function.

"*Board Resolution*" means, with respect to any Person, a resolution certified by the company secretary to have been duly adopted by the Board of Directors of such Person and is in full force and effect on the date of such certification.

"*Bund Rate*" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to , 2008, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to , 2008; *provided, however*, that, if the period from such redemption date to , 2008 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;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any recognized dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3.30 p.m. Frankfurt, Germany time on the third Business Day preceding the relevant date.

"*Business Day*" means a day (other than Saturday or Sunday) on which banks and financial institutions are open in New York, London, Dublin and Amsterdam.

"Business Unit" means any of Bijenkorf, Claudia Sträter, DIY, HEMA, Hunkemöller, M&S and V&D substantially as each exists at the Issue Date, with extensions or developments of that Business Unit substantially within its existing retail format (but not including any combination of the retail formats of Bijenkorf and V&D into one Business Unit).

"*Capitalized Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) on the basis of GAAP.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully and unconditionally guaranteed or insured by the United States or Canadian governments, or any agency or instrumentality thereof, the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government with maturities of 24 months or less from the date of acquisition;

(2) securities issued or directly and fully and unconditionally guaranteed or insured by a member of the European Union, or any agency or instrumentality thereof, the securities of which are unconditionally guaranteed as a full faith audit obligation of such government with maturities of 24 months or less from the date of acquisition;

(3) certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any commercial bank having capital and surplus in excess of €500.0 million;

(4) repurchase obligations for underlying securities of the types described in clauses (1), (2) and (3) entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper rated at the time of acquisition thereof at least P-1 by Moody's or at least A-1 by S&P and in each case maturing within 12 months after the date of acquisition thereof;

(6) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, or any member of the European Union or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P with maturities of 24 months or less from the date of acquisition;

(7) Indebtedness or preferred stock issued by Persons with a rating of "A" or higher from S&P or "A2" or higher from Moody's with maturities of 12 months or less from the date of acquisition; and

(8) interests in investment funds investing at least 95% of their assets in cash or securities of the types described in clauses (1) through (7) above.

"*Change of Control*" means the occurrence of any of the following:

(1) the sale, lease or transfer (other than by way of merger, consolidation, amalgamation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to any Person other than a Restricted Subsidiary or one or more Permitted Holders (provided that the sale, lease or transfer of a single Business Unit of the Issuer and its Restricted Subsidiaries shall not be deemed to be a sale, lease or transfer of "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries unless four or fewer Business Units are owned by the Issuer and its Restricted Subsidiaries prior to any such sale, lease or transfer); or

(2) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the US Exchange Act, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the US Exchange Act, as in effect on the Issue Date), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the US Exchange Act, as in effect on the Issue Date), other than the Permitted Holders, in a single transaction or in a series of transactions, by way of merger, consolidation, amalgamation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3(a) under the US Exchange

Act, as in effect on the Issue Date) of more than 50% of the total voting power of the Voting Shares of the Issuer (or any successor thereof, as applicable) or any Holding Company of the Issuer (other than Kohlberg Kravis Roberts & Co. L.P., AlpInvest Partners N.V., Cinven Limited, Permira Advisors Limited or any fund directly or indirectly advised or represented by any of them); provided that any Voting Shares of which any Permitted Holder is the beneficial owner (within the meaning of Rule 13d-3(a) under the US Exchange Act, as in effect on the Issue Date) shall not in any case be included in any Voting Shares of which any such person or group is the beneficial owner (as so defined).

"*Commission*" means the US Securities and Exchange Commission.

"*Consolidated Cash Flow*" means with respect to any Person for any period the Consolidated Net Income of such Person for such period plus (without duplication to the extent reflected in the calculation of Consolidated Net Income):

(1) provision for taxes or other payments based on income or profits of such Person and its Restricted Subsidiaries for such period deducted in computing Consolidated Net Income of such Person for such period; *plus*

(2) Consolidated Interest Expense of such Person for such period to the extent the same was deducted in calculating such Consolidated Net Income; *plus*

(3) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent such depreciation and amortization expenses were deducted in computing Consolidated Net Income of such Person for such period; *plus*

(4) the amount of any restructuring or redundancy charge deducted in such period in computing Consolidated Net Income of such Person for such period; *plus*

(5) without duplication, any other non-cash charges reducing Consolidated Net Income of such Person for such period, excluding any such charge that represents an accrual or reserve for a cash expenditure in a future period; *plus*

(6) any expenses, charges or other costs related to any Equity Offering, Permitted Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business, provided that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization, Indebtedness permitted to be incurred by the Indenture, the redemption of Target's 7⅜% senior subordinated notes due 2010 or the refinancing of any other Indebtedness of such Person or any of its Restricted Subsidiaries (whether or not successful) (including such fees, expenses or charges related to the Transactions) and, in each case, deducted in such period in computing Consolidated Net Income; *plus*

(7) the amount of any decrease in net income of the relevant Person as a result of a revaluation of assets and liabilities which have occurred because of purchase accounting for the Acquisition; *plus*

(8) the amount of any minority interest expense deducted in calculating Consolidated Net Income of such Person for such period; *plus*

(9) unrealized non-cash gains (losses) resulting from foreign currency balance sheet adjustments required by GAAP, *less*

(10) non-cash items increasing Consolidated Net Income of such Person for such period, excluding any items which represent the reversal of any accrual of, or reserve for, anticipated cash expenditure in any prior period, *less*

(11) the amount of any increase in Consolidated Net Income of the relevant Person as a result of a revaluation of assets and liabilities which have occurred because of purchase accounting for the Acquisition.

"*Consolidated Depreciation and Amortization Expense*" means with respect to any Person for any period, the total amount of depreciation and amortization expense, including the amortization of deferred financing fees, of such Person and its Restricted Subsidiaries for such period on consolidated basis and otherwise determined on the basis of GAAP.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum, without duplication, of:

(1) consolidated interest expense of such Person and its Restricted Subsidiaries for such period (including (a) amortization of original issue discount, (b) non-cash interest payments, (c) the interest component of Capitalized Lease Obligations, (d) recurring commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptances (excluding upfront commissions, discounts and other fees and charges incurred in respect of letters of credit and bankers' acceptances) and (e) net payments, if any, pursuant to Hedging Obligations entered into in connection with currency exchange rates or interest rates (but excluding amortization of deferred financing fees and unrealized gains and losses arising with respect to Hedging Obligations in accordance with GAAP); *provided* that there shall be excluded from "Consolidated Interest Expense" (i) any fees and expenses relating to the Refinancing to the extent such fees and expenses are expensed in the fiscal year of the Target ending January 31, 2005 and (ii) and expense associated with the write-off of any fees or costs in connection with the refinancing of Target's 7⅜% senior subordinated notes due 2010; and

(2) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (but excluding capitalized interest in relation to Shareholder Debt),

in each case, on a consolidated basis and determined in accordance with GAAP.

Notwithstanding anything to the contrary stated above, Consolidated Interest Expense shall not include any interest expense relating to interest of any entity that is not the relevant Person or a Restricted Subsidiary (unless such interest expense is actually paid by the Issuer or a Restricted Subsidiary of the Issuer), any Receivables Fees, or any expense with respect to any GAAP Operating Lease of that Person. For purposes of the foregoing, Consolidated Interest Expense will be determined after giving effect to any net payments made or received by such Person or its Restricted Subsidiaries with respect to Hedging Obligations entered into in connection with currency exchange rates or interest rates.

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, and otherwise determined in accordance with GAAP; *provided* that:

(1) any net after-tax extraordinary, unusual or non-recurring gains or losses, less all fees and expenses relating thereto, shall be excluded;

(2) any net after-tax gain (loss) from any write-off or forgiveness of Indebtedness shall be excluded;

(3) the cumulative effect of a change in accounting principles during such period shall be excluded;

(4) any net after-tax gains or losses arising from disposed operations or the disposal of disposed operations, as determined in good faith by the Issuer, shall be excluded;

(5) any net after-tax gains or losses (less all fees and expenses relating thereto) attributable to asset dispositions other than in the ordinary course of business, as determined in good faith by the Board of Directors of the Issuer, shall be excluded;

(6) the Net Income for such period of any Person that is not a Subsidiary, or is an Unrestricted Subsidiary of such Person, or that is accounted for by such Person by the equity method of accounting, shall be excluded; *provided* that Consolidated Net Income of the relevant Person shall be increased by the amount of dividends, distributions or other returns on the relevant Person's Investments that are actually paid in cash or Cash Equivalents (or converted into cash or Cash Equivalents) to the relevant Person or a Restricted Subsidiary thereof during the relevant period;

(7) the Net Income of any Person acquired in a pooling of interests transaction shall not be included for any period prior to the date of such acquisition;

(8) the Net Income for such period of any Restricted Subsidiary shall be excluded to the extent the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders, unless, in each case, such restriction has been legally waived or constitutes a Permitted Restriction; *provided, however,* that notwithstanding the foregoing, Consolidated Net Income of the relevant Person for any relevant period shall be increased by the amount of dividends, distributions or other payments actually paid in cash or Cash Equivalents (or converted during such period into cash or Cash Equivalents) to such Person or (subject to the impact of this clause (8)) a Restricted Subsidiary of such Person;

(9) any increase in amortization or depreciation resulting from purchase accounting in relation to the Acquisition or from any subsequent reorganization involving the Issuer, Victoria Acquisition IV, VDXK and/or Target within two years of the closing of the Acquisition, in each case, net of taxes, shall be excluded;

(10) non-cash compensation expense related to grants of performance shares, stock options or other rights to officers, directors and employees of the Issuer or any Restricted Subsidiary ("MEP Grants") shall be excluded, to the extent that it is anticipated (as determined by a responsible accounting office of the Issuer in good faith) that such shares, options or rights will be redeemed at the option of the holder only for Share Capital of the Issuer (other than Disqualified Share Capital) or a Parent Company of the Issuer, and any one-time charge related to MEP Grants associated with the adoption of IFRS;

(11) any goodwill or other intangible asset impairment charge shall be excluded; and

(12) the impact of capitalized interest on Shareholder Debt shall be excluded from the Consolidated Net Income of the relevant Person.

For purposes of clause (8) above, the net income of a Restricted Subsidiary that could have distributed such net income to the relevant Person shall be included in such net income.

Notwithstanding the foregoing, for the purpose of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" only (other than clause (c)(iv) thereof), there shall be excluded from Consolidated Net Income any Net Income arising from any sale or other disposition of Restricted Investments made by the relevant Person and Restricted Subsidiaries, any repurchase or redemption of Restricted Investments held by the relevant Person and its Restricted Subsidiaries, any repayments of loans or advances which constitute Restricted Investments and owing to the relevant Person or its Restricted Subsidiaries or any dividend or distribution from an Unrestricted Subsidiary to the relevant Person or its Restricted Subsidiaries, in each case, to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clause (c)(iv) thereof.

"Consolidated Net Indebtedness" means, with respect to any Person, (x) the sum of the aggregate outstanding Indebtedness of that Person and its Restricted Subsidiaries (excluding Shareholder Debt,

Hedging Obligations and Indebtedness represented by GAAP Operating Leases) as of the relevant date of calculation less (y) the amount of cash and Cash Equivalents that would be stated on the balance sheet of such Person and its Restricted Subsidiaries as of such date, in each case, on a consolidated basis in accordance with GAAP.

"Consumer Electronics" means the Consumer Electronics Business Unit (consisting as of the Issue Date of IMpact Retail B.V., Dixons België B.V., Dixons B.V., Dixtone B.V., Dynabyte B.V. and Mega Media B.V.).

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness *("primary obligations")* of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

   (a) for the purchase or payment of any such primary obligation; or

   (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facilities*" means (i) the Senior Facilities and (ii) one or more debt facilities providing for revolving credit loans, terms loans, letters of credit and/or bank guarantees, Qualified Receivables Financing (including through the sale of receivables to lenders or to one or more special purpose vehicles formed to borrow from such lenders against receivables) and/or commercial paper facilities and any securities (including notes, debentures, bonds or other similar instruments) incurred to refinance such facilities and/or securities, in each case, as amended, restated, modified, renewed, replaced, refinanced or refunded, including through any increase in the commitments or amounts borrowed or incurred thereunder, in whole or in part, from time to time.

"*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.

"Designated Noncash Consideration" means the fair market value (determined in good faith by the Issuer) of all consideration (other than cash and Cash Equivalents) received by the Issuer or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Noncash Consideration pursuant to an Officer's Certificate of the Issuer setting forth the basis of such valuation, *less* the amount of cash or Cash Equivalents received by the Issuer or a Restricted Subsidiary in connection with a subsequent sale of such Designated Noncash Consideration.

"Designated Preference Shares" means, with respect to the Issuer or any Parent Company of the Issuer, Preference Shares (other than Disqualified Share Capital) (i) that are issued for cash, Cash Equivalents or marketable securities (other than to the Issuer or a Restricted Subsidiary of the Issuer) and (ii) that are designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the net cash proceeds of which (or Cash Equivalents or marketable securities received in consideration for the issuance of which) are excluded from the calculation set forth in clause (c)(ii)(A)(II) of the first paragraph of covenant entitled "—Certain Covenants—Limitation on Restricted Payments."

"Designated Senior Debt" means:

(a) until repaid in full, the Senior Facilities; and

(b) any Senior Debt that has, at the time of designation, an aggregate principal amount outstanding of at least €25 million (including the amount of all undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit hereunder) that is designated in a notice delivered by the Issuer or a Representative of the holders of such Senior Debt to the Trustee and in an Officer's Certificate delivered to the Trustee as "Designated Senior Debt" of the Issuer for purposes of the Indenture.

"Disqualified Share Capital" means, with respect to any Person, any Share Capital of such Person which, by its terms, or by the terms of any security into which it is convertible or for which it is putable or exchangeable, or upon the happening of any event, matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, in each case, for cash or in exchange for Indebtedness prior to the earlier of the date 91 days after the earlier of the final maturity date of the Notes or the date the Notes are no longer outstanding; *provided,* that, if such Share Capital is issued pursuant to any employee equity plan for the benefit of employees of the Issuer or its Subsidiaries or by any such plan to such employees, such Share Capital shall not constitute Disqualified Share Capital solely because the relevant Person may be required to repurchase such Share Capital in order to satisfy applicable statutory or regulatory obligations; and *provided further* that any Share Capital that would constitute Disqualified Share Capital solely because the holders of the Share Capital have the right to require the relevant Person to redeem or repurchase such Share Capital upon the occurrence of a change of control or an asset sale will not constitute Disqualified Share Capital if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described above under "—Certain Covenants—Limitation on Restricted Payments."

"*Dutch Hybrid Instruments*" means the Dutch Hybrid Instruments issued by the Issuer in connection with the Acquisition and thereafter in relation to the acquisition of the Subordinated Propco Proceeds Loan, in each case as described in "Description of Certain Indebtedness—Dutch Hybrid Instruments."

"*Equity Interests*" means all Share Capital and all warrants, options or other rights to acquire Share Capital, but excluding any Indebtedness that is convertible into, or exchangeable for, Share Capital.

"*Equity Offering*" means any public or private sale of ordinary shares, Preference Shares or other Equity Interests of, or contribution to the capital of, the Issuer (excluding Disqualified Share Capital) or any Parent Company or other parent of the Issuer (other than (a) a public offering registered on Form S-8 and (b) any such public or private sale or contribution to the extent that the proceeds thereof constitute an Excluded Contribution), but, in the case of any such sale by or contribution to any Parent Company or other parent of the Issuer, only to the extent of the net cash proceeds thereof that are contributed to the equity (other than through the issuance of Disqualified Share Capital but including through the issuance of Shareholder Debt) or as Shareholder Debt to the Issuer or its Restricted Subsidiaries.

"*euro*" or "€" means the single currency of participating member states of the European Monetary Union.

"*European Union*" means the European Union, including the countries of Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, and any country which becomes a member of the European Union after the Issue Date.

"*Excluded Contribution*" means net cash proceeds and/or the fair market value (as determined in good faith by the Issuer) of property other than cash, (a) contributed to the ordinary equity of the Issuer or any Restricted Subsidiary or (b) received by the Issuer from the sale (other than to a Restricted Subsidiary of the Issuer or a Management Equity Subsidiary, or pursuant to any management equity plan or share option plan or any other management or employee benefit plan or arrangement of the Issuer or its Restricted Subsidiaries, as the case may be) of Equity Interests (other than Disqualified Share Capital or Designated Preference Shares) of the Issuer, in each case, designated as Excluded Contributions pursuant to an Officer's Certificate, executed at or prior to the date such capital contribution is made or the date such Equity Interests are sold, in each case which are excluded from the calculation set forth in clause (c) of the first paragraph under "—Certain Covenants—Limitation on Restricted Payments."

"*Existing Indebtedness*" means Indebtedness or Preference Shares of the Issuer and its Restricted Subsidiaries outstanding on the Issue Date.

"*fair market value,*" unless otherwise specified, wherever such term is used in the Indenture (except in relation to a Share Pledge Enforcement Sale), may be conclusively established by means of an Officers Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officers or such Board of Directors in good faith.

"Finance Subsidiary" means, a Restricted Subsidiary of the Issuer (i) whose sole operations are comprised of incurring or issuing Indebtedness from time to time to finance the operations of the Issuer and/or its Restricted Subsidiaries (including future acquisitions) and (ii) which loans the proceeds of such Indebtedness to one or more Guarantors and/or the Issuer and no other Restricted Subsidiary of the Issuer and (iii) which conducts no business and owns no material assets other than any intercompany indebtedness referred to in the preceding clause.

"Fixed Charge Coverage Ratio" means, with respect to any Person for any period, the ratio of Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period.

The Fixed Charge Coverage Ratio shall be calculated on a *pro forma* basis assuming that all Investments, acquisitions, dispositions, mergers, consolidations, amalgamations, disposed operations and other business combination transactions, as well as each repayment, repurchase, defeasance or other discharge of Indebtedness (as determined on the basis of GAAP) made or undertaken by the relevant Person or any Restricted Subsidiaries during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the date of calculation (including the change in Fixed Charges and Consolidated Cash Flow resulting therefrom) had occurred on the first day of the four-quarter reference period. In addition, if (since the beginning of such four-quarter reference period) any Person that subsequently became a Restricted Subsidiary of the relevant Person or was merged, consolidated, amalgamated or otherwise combined with or into the relevant Person or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation, amalgamation, disposed operations or other business combination transaction or any repayment, repurchase, defeasance or other discharge of Indebtedness that would have required adjustment pursuant to this definition, then Consolidated Cash Flow of the acquired Person shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation, amalgamation, disposed operations or other business combination transaction or any such discharge of Indebtedness had occurred at the beginning of the applicable four-quarter 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 accounting officer of the relevant Person. If any Indebtedness bears interest at a floating rate and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of calculation had been the applicable rate for the entire 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 relevant Person to be the rate of interest implicit in such Capitalized Lease Obligation on the basis of GAAP. For purposes of making the computation referred to above, interest on any Indebtedness outstanding during the relevant period under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based on a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the relevant Person may designate.

"*Fixed Charges*" means, with respect to any Person for any period, the sum of (a) Consolidated Interest Expense of such Person for such period, (b) all cash dividend payments (excluding items eliminated in consolidation) on any series of Preference Shares (including any Designated Preferred Stock) or any Refunding Share Capital of such Person, and (c) all cash dividend payments (excluding items eliminated in consolidation) on any series of Disqualified Share Capital.

"*GAAP*" means generally accepted accounting principles in the Netherlands as applied by Target and in effect on January 31, 2004; *provided* that at any time after the Issue Date the Issuer may elect to apply IFRS or US GAAP for the purposes of the Indenture, and from and after such election references herein to GAAP shall be deemed to be references to IFRS or US GAAP (as applicable) in effect at the date of such election and all defined terms in the Indenture, and all ratios and computations based on GAAP shall be computed in conformity with IFRS or US GAAP in effect at the date of such election, from and after any such election; provided further, that upon first reporting its fiscal year results under IFRS or US GAAP, as applicable, it shall restate its financial statements in accordance with IFRS or US GAAP for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared in accordance with IFRS or US GAAP, as applicable (except that, in the case of 2004, the Issuer need only supply a reconciliation in respect of such year, and that any opinion provided in respect of such year or the fiscal year 2005 may be qualified due to the use of any such reconciliation).

"GAAP Operating Lease" means any lease of property (real or otherwise) by the Issuer or any Restricted Subsidiary of the Issuer (or a guarantee of any such lease) which would be considered an operating lease under Dutch GAAP as of January 31, 2004.

"*Government Securities*" means securities that are:

(1) issued or directly and fully and unconditionally guaranteed or insured by the United States government, or any agency or instrumentality thereof, the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government; or

(2) issued or directly and fully and unconditionally guaranteed or insured by a member of the European Union, or any agency or instrumentality thereof, the securities of which are unconditionally guaranteed as a full faith audit obligation of such government;

which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the US Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"*guarantee*" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, by pledge of assets or through letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under:

(1) currency exchange, interest rate or commodity swap agreements, currency exchange or interest rate or commodity cap, floor or ceiling agreements and currency exchange rate, interest rate or commodity collar agreements; and

(2) other agreements or arrangements designed to manage or protect such Person against fluctuations in currency exchange rates, interest rates or commodity prices.

"*Holder*" means a Person in whose name a Note is registered.

"Holding Company" of a Person means any other Person (other than a natural person) of which the first Person is a Subsidiary.

"*IFRS*" means the international accounting standards promulgated from time to time by the International Accounting Standards Board and interpretations thereof approved by the International Accounting Standards Board or any variation thereof with which the Issuer may be required to comply by any law, regulation or stock exchange requirement.

"*Indebtedness*" means, with respect to any Person:

(1) the principal and premium amount of any indebtedness of such Person, whether or not contingent:

  (a) in respect of borrowed money;

  (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof, except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of incurrence);

  (c) representing the balance deferred and unpaid of the purchase price (including Capitalized Lease Obligations) for any property (which deferred purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto), except in each case for any such balance that constitutes a trade payable or similar obligation to a trade creditor, in each case, incurred in the ordinary course of business; or

  (d) representing any Hedging Obligations entered into in connection with currency exchange rates or interest rates (the amount of any such indebtedness to be equal at any time to the net payments that would be payable by such Person at such time under the Hedging Obligation at its scheduled termination date);

if and (save as a consequence of purchase accounting adjustments in relation to any Acquired Indebtedness (other than Existing Indebtedness)) to the extent that any of the foregoing Indebtedness specified in clauses (a) through (d) (other than letters of credit, guarantees and Hedging Obligations) would appear as a liability on a balance sheet (excluding the footnotes thereto) of such Person prepared on the basis of GAAP;

(2) to the extent not otherwise included, any obligation of such Person as obligor, guarantor or otherwise for the Indebtedness of any other Person, other than by endorsement of negotiable instruments for collection in the ordinary course of business; and

(3) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person, whether or not such Indebtedness is assumed by such Person (with

the amount of such Indebtedness equal to the lesser of the fair market value (determined in good faith by the Issuer) of such asset at such date of determination and the amount of such Indebtedness of such other Person) (other than Liens secured over assets of the Issuer or a Restricted Subsidiary consisting only of Share Capital of Propco Companies);

provided however, that with respect to clauses (1), (2) and (3), in no event shall the following constitute Indebtedness:

(i) Contingent Obligations incurred in the ordinary course of business and obligations under or in respect of Qualified Receivables Financings,

(ii) 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 within 30 days thereafter,

(iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement obligations or pension fund contributions,

(iv) Obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance, performance bond, advance payment bonds, surety bonds, completion or performance guarantees or similar transactions, to the extent that such letters, bonds, guarantees or similar credit transactions are not drawn upon, *provided* that, if and to the extent drawn upon, such obligations shall not be considered the incurrence of Indebtedness (but shall upon such drawing otherwise be considered Indebtedness),

(v) Obligations of any other Person, other than as provided for in clauses (2) or (3) above, and

(vi) in the case of the Issuer or any Restricted Subsidiary, obligations pursuant to any Permitted Propco Transaction.

"*Independent Financial Advisor*" means an independent accounting, appraisal, investment banking firm or consultant to Persons engaged in Similar Businesses of internationally recognized standing that is, in the good faith judgment of the Issuer, qualified to perform the task for which it has been engaged.

"*Insolvency Event*" in respect of the Issuer or any of its Subsidiaries:

(a) any resolution is passed or order made for the winding up, dissolution, administration, reorganization or similar matter in respect of that entity;

(b) any composition, assignment or arrangement is made with any of its creditors;

(c) the appointment of any liquidator, receiver, preliminary administrator, administrator, administrative receiver, compulsory manager or other similar officer in respect of that entity or any of its assets; or

(d) any analogous procedure or step is taken in any jurisdiction.

"*Intercompany Funding Loan*" means any loan pursuant to which the Issuer or any of its Restricted Subsidiaries on-loans the proceeds of an issuance of Indebtedness to another Restricted Subsidiary.

"*Intercreditor Agreement*" means the High Yield Intercreditor Agreement entered into as of the Issue Date between ABN AMRO Bank N.V. as Senior Facility Agent, The Bank of New York as Notes Trustee (as defined therein), ABN AMRO Bank N.V. as Security Agent and the other parties thereto, as amended, restated or otherwise modified or varied from time to time.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB−" or higher from S&P or Baa3 or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other nationally recognized securities rating agency, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment and/or distribution; and

(5) corresponding instruments in countries other than those identified in clause (1) or (2) above customarily utilized for high quality investments.

"*Investment Grade Status*" shall occur in relation to a series of Notes when such series of the Notes receives both (1) a rating of "Baa3" (or the equivalent) or higher from Moody's and (2) a rating of "BBB−" (or the equivalent) or higher from S&P; *provided* that in the event that either such rating agency ceases rating such series of the Notes, a rating considered to be "investment grade" or its equivalent by such other reputable rating agency in its place as the Issuer shall select shall satisfy this requirement.

"*Investments*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding bank deposits, accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case, made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet (excluding the footnotes) of the relevant Person in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. For purposes of the covenant described under "—Certain Covenants—Limitation on Restricted Payments":

(1) "*Investments*" shall include the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value (determined in good faith by the Issuer) of the net assets of a Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided* that, upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "*Investment*" in an Unrestricted Subsidiary in an amount (if positive) equal to:

   (x) the Issuer's "*Investment*" in such Subsidiary at the time of such redesignation; *less*

   (y) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value (determined in good faith by the Issuer) of the net assets of such Subsidiary at the time of such redesignation;

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value (determined in good faith by the Issuer) at the time of such transfer; and

(3) "*Investments*" shall include, without duplication, any amount of interest paid with respect to Indebtedness of a Joint Venture, Unrestricted Subsidiary or any third person.

"*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 entity conducting the Public Offering at the time of closing of such Public Offering *multiplied b*y (ii) the price per share at which such shares of common stock or common equity interests are sold in such Public Offering.

"*Issue Date*" means the date on which the Notes are originally issued.

"*Joint Venture*" means any joint venture operated by the Issuer or its Restricted Subsidiaries on or after the Issue Date.

"Leverage Ratio" means for any Person as of any date of determination, the ratio of (x) Consolidated Net Indebtedness at such date to (y) the aggregate amount of Consolidated Cash Flow for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of that Person are available, provided, however, that for the purposes of calculating Consolidated Cash Flow for such period, if, as of such date of determination:

(1) since the beginning of such period such Person or any Restricted Subsidiary thereof will have disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Leverage Ratio is such a Sale, Consolidated Cash Flow for such period will be reduced by an amount equal to the Consolidated Cash Flow (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated Cash Flow (if negative) attributable thereto for such period;

(2) since the beginning of such period such Person or any Restricted Subsidiary thereof (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "Purchase") including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated Cash Flow for such period will be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period any other Person (that became a Restricted Subsidiary or was merged with or into the first Person or any Restricted Subsidiary thereof since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the first Person or a Restricted Subsidiary thereof since the beginning of such period, Consolidated Cash Flow for such period will be calculated after giving pro forma effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition, (i) whenever pro forma effect is to be given to any transaction or calculation under this definition, the pro forma calculations will be as determined in good faith by a responsible financial or accounting officer of the relevant Person and (ii) in determining the amount of Indebtedness outstanding on any date of determination, pro forma effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness on such date.

"*Lien*" means, with respect to any asset or right, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset or such right (as the case may be), whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event shall an operating lease or a GAAP Operating Lease be deemed to constitute a Lien.

"*Management Equity Subsidiary*" means any Subsidiary of any Parent Company of the Issuer engaged solely in holding Equity Interests in any Parent Company of the Issuer and whose minority shareholders are limited to members of management, directors or consultants of the Issuer, any of its Subsidiaries or any Parent Company of the Issuer.

"*Management Investors*" means any present or, to the extent appointed by, or with the consent of, any of the Persons specified in clauses (i) or (ii) of the definition of "Permitted Holders" to manage the business or affairs (or any significant portion thereof) of the Issuer or any of its Restricted Subsidiaries or any Parent Company of the Issuer (other than any such persons appointed with the intent of otherwise avoiding the occurrence of a Change of Control), any future, directors or senior officers of the Issuer or any of its Restricted Subsidiaries or any Parent Company of the Issuer, and, in each case, any Affiliate thereof.

"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 entity conducting the Public Offering on the date of the declaration of the relevant dividend *multiplied b*y (ii) the arithmetic mean of the closing price 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.

"Merger Protocol" means the Merger Protocol dated April 27, 2004 between Victoria Acquisition IV and Target, as amended, supplemented or otherwise modified from time to time.

"Merger Transaction" means any merger, combination, consolidation or liquidation of VDXK or Target into or with each other.

"Minor Disposals" means: (a) the increase of existing operating leases for any Praxis stores where there is surplus value under the current lease agreements; (b) the sale and lease back or mortgage loan arrangement relating to the Plan-It B.V. DIY stores located in Anderlecht, Kortrijk, Brugge and Messancy, Belgium; (c) the sale of Schaap en Citroen B.V. or business and assets of Schaap en Citroen B.V.; and (d) the sale of any or all of Holdingmaatschappij Techno Holland B.V. (*"Techno Holland"*) or any of the subsidiaries of Techno Holland or any of their respective businesses or assets, in each case, which has been designated as a Minor Disposal by an Officer of the Issuer in an Officer's Certificate delivered to the Trustee; provided that any such transaction shall only be designated as a Minor Disposal if the EBITDA attributable to the business or the assets to be so designated (as determined in good faith by a responsible accounting officer of the Issuer on the basis of the most recent four fiscal quarters ending immediately preceding the date of such designation, and set forth in the relevant Officer's Certificate) does not exceed, in the aggregate with all other Minor Disposals prior thereto, €5.0 million.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns.

"*Net Income*" means, with respect to any Person, the net income (loss) of such Person, determined on the basis of GAAP and before any reduction in respect of Preference Share dividends.

"*Net Proceeds*" means the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale, including (when received) any cash received upon the sale or other disposition of any securities or Designated Noncash Consideration received in any Asset Sale, net of the direct costs relating to such Asset Sale and the sale or disposition of such securities or Designated Noncash Consideration, including:

(1) legal, accounting and investment banking fees;

(2) brokerage and sales commissions;

(3) any relocation expenses incurred as a result thereof;

(4) taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements);

(5) amounts required to be applied to the repayment of principal, premium and interest on Indebtedness required (other than Indebtedness referred to in clause (1) of the second paragraph of "—Repurchase at the Option of Holders—Asset Sales") to be paid as a result of such transaction;

(6) any deduction of amounts to be provided by the Issuer as a reserve on the basis of GAAP against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer after such sale or other disposition thereof, including pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction; and

(7) all distributions or other payments required to be made to minority interest holders in Subsidiaries of the Issuer or joint ventures of the Issuer or its Subsidiaries as a result of such transaction.

"*Obligations*" means all principal, interest, penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and banker's acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"*Officer*" means a member of the Board of Directors of the Issuer, the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary or any Vice-President of such Person.

"*Officer's Certificate*" means a certificate signed on behalf of the Issuer by an Officer.

"*Parent Company*" of the Issuer means any other Person (other than a natural person) which either (i) legally and beneficially owns more than 50% of the Voting Shares of the Issuer, either directly or through one or more Subsidiaries or (ii) is a Subsidiary of any Person referred to in the preceding clause; *provided, however*, that in no event shall any Subsidiary of the Issuer constitute its Parent Company.

"*Pari Passu Indebtedness*" means:

(a) Senior Debt of the Issuer;

(b) Indebtedness of any Finance Subsidiary which is guaranteed by the Issuer, if such guarantee ranks equal in right of payment to the Notes; and

(c) Senior Subordinated Indebtedness of any Guarantor.

"*Payment Blockage Event*" means the occurrence of any event of default under the Senior Facilities or any other Designated Senior Debt other than a Payment Stop Event.

"*Payment Stop Event*" means in relation to the Senior Facilities or any other Designated Senior Debt (other than in respect of hedging agreements under such Designated Senior Debt):

(a) any failure to pay on the due date any amount due and payable under the Senior Facilities or other Designated Senior Debt (other than an amount not constituting principal, interest or fees, not in excess of €250,000); or

(b) any notice is served on behalf of the lenders under the Senior Facilities or other Designated Senior Debt declaring all of any facility made available under the Senior Facilities or other Designated Senior Debt immediately due and payable or payable on demand as a result of the occurrence of an event of default that is a payment default in respect of the Senior Facilities or other Designated Senior Debt.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets and cash or Cash Equivalents between the Issuer or any of its 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 "Asset Sales" covenant.

"*Permitted Collateral Liens*" means:

(a) Liens on the Share Collateral to secure (i) any Additional Notes, (ii) Indebtedness of the Issuer or a Restricted Subsidiary that is permitted to be Incurred under the first paragraph or clauses (1), (2), (9) or (11) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares" and (iii) any Refinancing Debt in respect of Indebtedness referred to in (i) and (ii); provided, that such Lien ranks (x) equal to all other Liens on such Collateral securing Senior Debt of the Issuer if such Indebtedness is Senior Debt of the Issuer or a Restricted Subsidiary (except that (A) a lien in favor of Senior Debt (the "*Refinancing Senior Debt*") need not rank equally with liens in favor of other Senior Debt, if such Refinancing Senior Debt was incurred to refinance Senior Debt of the Issuer or a Restricted Subsidiary and (B) lenders under any Credit Facility may provide for an ordering of payments under the various tranches of that Credit Facility), (y) equal to all other Liens on such Share Collateral securing Senior Subordinated Debt of a Guarantor, if such Indebtedness is Senior Subordinated Indebtedness or (z) junior to the Liens securing the Notes or the Guarantees;

(b) Liens on the Proceeds Loan to secure any Additional Notes, provided that upon completion of the offering of such Additional Notes:

    (1) the Issuer will have loaned cash in the amount of the net proceeds of such Additional Notes to Target pursuant to an Additional Proceeds Loan;

    (2) such Additional Proceeds Loan will have been pledged in favor of the Holders (A) on substantially the same terms (including with respect to priority) as the pledge of the Proceeds Loan entered into on the Issue Date and (B) pursuant to an Additional Proceeds Loan Pledge; and

    (3) the Issuer will have delivered to the Trustee an Opinion of Counsel with respect to such Additional Proceeds Loan and Additional Proceeds Loan Pledges, in form and substance satisfactory to the Trustee, substantially to the effect or in the form of the relevant opinions delivered to the Trustee on the Issue Date with respect to the Proceeds Loan Agreement and the Proceeds Loan Pledges;

(c) Liens on the Loan Collateral to secure any Indebtedness of a Restricted Subsidiary, that is permitted to be Incurred under the first paragraph or clause (1), (2), (9) or (11) (to the extent relating to the Senior Facilities) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares" and any Refinancing Indebtedness in respect of such Indebtedness; and

(d) Liens on the Collateral that are Permitted Liens pursuant to clauses (4) or (14) of the definition of "Permitted Liens."

"*Permitted Holders*" means any of (i) Kohlberg Kravis Roberts & Co. L.P. and its Affiliates, any funds directly or indirectly managed, advised or represented by Kohlberg Kravis Roberts & Co. L.P., together with the Affiliates of such funds, (ii) Kohlberg Kravis Roberts & Co. L.P. together with any of AlpInvest Partners N.V., Cinven Limited or Permira Advisors Limited, in each case, including their respective Affiliates, any funds directly or indirectly advised or represented by any of them or their respective Affiliates together with the Affiliates of such funds, and (iii) the Management Investors or any Management Equity Subsidiary.

"*Permitted Investments*" means:

(1) any Investment in the Issuer or any Restricted Subsidiary;

(2) any Investment in cash, Cash Equivalents or Investment Grade Securities;

(3) any Investment by the Issuer or any Restricted Subsidiary in a Person that is engaged in a Similar Business if as a result of such Investment:

   (a) such Person becomes a Restricted Subsidiary; or

   (b) such Person, in one transaction or a series of related transactions, is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(4) any Investment in securities or other assets not constituting cash or Cash Equivalents and received in connection with an Asset Sale made pursuant to the provisions of "—Repurchase at the Option of Holders—Asset Sales" or any other disposition of property or assets, or issuance or sale of Equity Interests, not constituting an Asset Sale; and stock, obligations or other securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or a Restricted Subsidiary or in satisfaction of judgments;

(5) any Investment existing on the Issue Date or Investments in Joint Ventures pursuant to commitments or agreements in existence on the Issue Date;

(6) advances to employees not in excess of €10 million outstanding at any one time, in the aggregate;

(7) any Investment acquired by the Issuer or any Restricted Subsidiary:

   (a) in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary, in each case, in connection with or as a result of a bankruptcy, workout, reorganization, recapitalization or other settlement of such other Investment or accounts receivable; or

   (b) as a result of a foreclosure by the Issuer or any Restricted Subsidiary with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Hedging Obligations permitted under clause (9) of the second paragraph of the covenant "—Certain Covenants—Limitation of Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares";

(9) loans and advances to officers, directors and employees for business-related travel expenses, moving expenses and other similar expenses, in each case, incurred in the ordinary course of business;

(10) any Investment in a Similar Business having an aggregate fair market value (determined in good faith by the Issuer), taken together with all other Investments made pursuant to this clause (10) that are at that time outstanding, no greater of 3.0% of Total Assets at the time of such Investment (with the fair market value (determined in good faith by the Issuer) of each Investment measured at the time made and without giving effect to subsequent changes in value) provided that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person is subsequently designated a Restricted Subsidiary pursuant to the covenant

described under "—Certain Covenants—Limitation on Restricted Payments," such Investment shall thereafter be deemed to have been made pursuant to clause (3) of the definition of "Permitted Investments" and not this clause;

(11) Investments the payment for which consists of Equity Interests of the Issuer or any of its Parent Companies (exclusive of Disqualified Share Capital of the Issuer); *provided* that such Equity Interests will not increase the amount available for Restricted Payments under clause (c) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments";

(12) guarantees not prohibited by the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares";

(13) any transaction constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "—Certain Covenants—Transactions with Affiliates" (except those described in clauses (2), (6), (7) and (11) of that paragraph);

(14) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (14) that are at that time outstanding, of equal to the greater of 5.0% of Total Assets and €100 million at the time of such Investments (with the fair market value of each Investment being determined in good faith by the Issuer and measured at the time made and without giving effect to subsequent changes in value) provided that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "—Certain Covenants—Limitation on Restricted Payments," such Investment shall thereafter be deemed to have been made pursuant to clause (3) of the definition of "Permitted Investments" and not this clause;

(15) receivables owing to the Issuer or a Restricted Subsidiary, if created or acquired in the ordinary course of business; and Investments relating to any Receivables Subsidiary or any Investment by a Receivables Subsidiary in another Person (other than an Affiliate of the Issuer which is not an Affiliate solely due to an ownership interest of the Issuer or a Restricted Subsidiary in such Person), in each case in connection with a Qualified Receivables Financing that, in the good faith determination of the Issuer, are necessary or advisable to effect or maintain such Qualified Receivables Financing;

(16) Investments in negotiable instruments held for collection and lease, utility and workers' compensation, performance or other similar deposits made in the ordinary course of business;

(17) any Investment required pursuant to the Transaction Documents;

(18) any Investment in the Notes; and

(19) in connection with the sale of any of the Propco Companies, the repayment of any Subordinated Propco Loan owed to such Propco Company or its Subsidiaries from or in an amount not exceeding the Net Proceeds of such sale received by the Issuer and its Restricted Subsidiaries.

"*Permitted Lien*" means, with respect to any Person or asset:

(1) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits or cash or government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, or Liens in favor of customs or revenue

authorities to secure payment of custom duties in connection with the importation of goods, in each case, incurred in the ordinary course of business;

(2) Liens imposed by law, including carriers', warehousemen's and mechanics' Liens, in each case, for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person will then be proceeding with an appeal or other proceedings for review;

(3) Liens arising solely by virtue of any statutory or common law provision or pursuant to Clauses 18 or 20 of the general banking terms and conditions of any bank (*algemene bank voorwaarden*), in each case, relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a credit or depository institution; *provided* that such deposit account is not a dedicated cash collateral account subject to restrictions against access by such Person in excess of those customarily applied to deposit accounts not intended by such Person to provide collateral to the relevant bank;

(4) Liens for taxes, assessments or other governmental charges or claims not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves have been taken on the books of such Person to the extent required under GAAP;

(5) Liens in favor of issuers of surety bonds or letters of credit (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of such Person in the ordinary course of its business;

(6) Liens securing Hedging Obligations entered into in the ordinary course of business so long as such Hedging Obligations relate to (i) Indebtedness that is permitted to be incurred under the Indenture and is secured by a Lien on the same property which secures such Indebtedness or (ii) cash collateral or customary Liens Incurred in connection with Hedging Obligations;

(7) Liens for the purpose of securing the payment (or the refinancing of the payment) of all or a part of any Indebtedness relating to assets or property acquired or constructed directly or indirectly, which Indebtedness is permitted by clause (4) of the second paragraph of the covenant entitled "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares;" *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens shall not exceed the cost of the asset or property so acquired or constructed and (b) such Liens will not encumber any other asset or property of such Person or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(8) Liens arising from precautionary Uniform Commercial Code financing statement filings, or comparable filings in other jurisdictions, regarding operating leases entered into by such Person or its Subsidiaries in the ordinary course of business;

(9) (A) Liens over assets of the Issuer in favor of any Indebtedness of the Issuer to any Guarantor and (B) Liens over assets of the Issuer's Restricted Subsidiaries in favor of Indebtedness of any Restricted Subsidiary of the Issuer that is not a Guarantor or Senior Debt of any Guarantor, in each case, permitted to be incurred pursuant to the covenant under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares" (other than clause (4) of the second paragraph thereof); together with Liens over rights under any loan agreements on-lending the proceeds received by the Issuer or a Restricted Subsidiary from the issuance of such Indebtedness;

(10) Liens on property of a Person existing at the time such Person is merged, consolidated, amalgamated or otherwise combined with, or acquired by, such Person or any Restricted Subsidiary

of such Person; *provided* that such Liens were in existence prior to the contemplation of such merger, consolidation, amalgamation, other combination or acquisition and do not extend to any assets other than those of the Person merged, consolidated, amalgamated or otherwise combined with, or acquired by, such Person or the Restricted Subsidiary;

(11) Liens to secure the performance of statutory obligations, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(12) Liens incurred in the ordinary course of business with respect to obligations (other than Indebtedness for borrowed money) which do not exceed €40 million (or its equivalent in another currency) at any one time outstanding;

(13) easements (including reciprocal easement agreements and any Liens arising in connection with any swapping of logistics capabilities), rights-of-way, building, zoning and similar restrictions, utility agreements, covenants, reservations, restrictions, encroachments, charges and other similar encumbrances or title defects incurred, or leases or sub-leases granted to others, in the ordinary course of business, that do not in the aggregate materially detract from the aggregate value of the properties of such Person and its Subsidiaries, taken as a whole, or in the aggregate materially interfere with or adversely affect in any material respect the ordinary course of the business of such Person and its Subsidiaries on the properties subject thereto, taken as whole;

(14) Liens arising by operation of law (or by agreement to the same effect) in the ordinary course of business and not as a result of any default or omission on the part of such Person or any Restricted Subsidiary;

(15) (A) Liens existing on the Issue Date or arising under the Senior Facilities or in respect of the Equity Interests of the Propco Companies securing the obligations under the Propco Facilities, or (B) any Liens incurred in connection with any Refinancing Indebtedness in replacement of any such Liens existing on the Issue Date on the same assets which were the subject of the original Liens;

(16) Liens on Receivables Assets incurred in connection with a Qualified Receivables Financing;

(17) any Lien that is a Permitted Collateral Lien, or a Lien in favor of the Notes;

(18) Liens over rights under any loan agreements on-lending the proceeds received by the Issuer or a Restricted Subsidiary from the issuance of Indebtedness; and

(19) (A) Liens over cash paid into escrow by any third party pursuant to any deposit or retention of purchase price arrangements entered into pursuant to any disposal or acquisition, (B) any retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller, (C) Liens secured over assets of the Issuer or a Restricted Subsidiary consisting only of Share Capital of Propco Companies; and (D) Liens over cash paid into escrow by purchasers of securities of the Issuer or any Restricted Subsidiary pursuant to any arrangements whereby such securities are sold on a conditional basis and may be redeemed with the proceeds that are escrowed or whereby interest payments in relation to such securities are deposited in escrow in advance of such payments.

"Permitted Propco Transaction" means arrangements or obligations entered into between the Issuer or any Restricted Subsidiary and any of the Propco Companies relating to (i) obligations pursuant to any lease agreement between any Propco Company as lessor and the Issuer or any Restricted Subsidiary as lessee on arms' length terms or on terms materially consistent, taken as a whole, with past practice, *provided* that such obligations would not have been treated as debt of the lessor under Dutch GAAP as in effect on January 31, 2004 (ii) guarantees in favor of any Propco Company by the Issuer or any Restricted Subsidiary of the GAAP Operating Lease obligations of the Issuer or any Restricted Subsidiary on terms materially consistent with such guarantees existing at the Issue Date,

(iii) obligations under the Propco Indemnity Agreement or the Propco Management Services Agreement, (iv) liabilities in respect of taxes which are or are intended to become the subject of the Propco Indemnity Agreement, and (v) liabilities existing on the Issue Date.

"*Permitted Reorganization*" means a transaction or series of transactions, by which all or some of the Dutch Hybrid Instruments are repaid with property, which property is immediately thereafter contributed to the Share Capital of the Issuer (except in the form of Disqualified Stock, Designated Preference Shares or Excluded Contributions), *provided* that pro forma for such Permitted Reorganization transaction or series of transactions, (a) the Issuer or such Restricted Subsidiary would be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares," or (b) the Fixed Charge Coverage Ratio of the Issuer is no less than immediately prior to such acquisition, merger, consolidation, amalgamation or other combination.

"*Permitted Restriction*" means any restriction or encumbrance on the ability of a Restricted Subsidiary to pay dividends, return capital, make any other payment or distribution, or transfer assets to the Issuer or its Restricted Subsidiaries either (a) arising under the Senior Facilities, as in effect on the Issue Date, (b) permitted pursuant to clauses (9) or (13) of the second paragraph of the covenant entitled "Dividend and Other Payment Restrictions Affecting Subsidiaries" or (c) restrictions in effect pursuant to Indebtedness outstanding on the Issue Date with respect to a Restricted Subsidiary, and other restrictions with respect to such Restricted Subsidiary that taken as a whole are not materially less favorable to the Holders than such restrictions in effect on the Issue Date.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Preference Shares*" means any Equity Interest with preferential rights of payment of dividends or other distributions or upon liquidation, dissolution, or winding up, *provided* that accrued non-cash dividends with respect to any Preference Shares shall not constitute Preference Shares for the purposes of the covenant entitled "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares."

"Propco Facilities" means the Propco Facilities Agreement, dated July 5, 2004, by and among Target, the Propco Companies and the agents and lenders and other parties thereto, in each case, together with the related documents thereto (including the term loans and revolving loans thereunder, any guarantees and security documents and any relating Hedging Obligations), in each case, as amended, extended, renewed, restated, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

"Propco Indemnity Agreement" means the indemnity agreement between certain Restricted Subsidiaries of the Issuer and the Propco Companies providing for certain tax, pensions and demerger indemnities, as amended or supplemented from time to time in relation to liabilities relating to the operating activities of the Propco Companies substantially as carried on on the Issue Date.

"Propco Management Services Agreement" means the agreement relating to the provision of management services by certain Restricted Subsidiaries of the Issuer to the Propco Companies, as amended or supplemented from time to time on terms not materially less favorable, taken as a whole in light of the circumstances, to the Issuer and its Restricted Subsidiaries than on the Issue Date.

"*Public Indebtedness*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the US Securities Act or (2) private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the US Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission for public resale. The term "Public Indebtedness" (a) shall not include the Notes and (b) for the avoidance of doubt, shall not be construed to include any Indebtedness issued to institutional investors in direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (provided that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall not be deemed underwritten), or any Indebtedness under the Senior Facilities, commercial bank or similar Indebtedness, Capital Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a "securities offering."

"Public Offering" means any offering of securities that are listed on an exchange and/or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the US Securities Act, to professional market investors or similar persons).

"Qualified Receivables Financing" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under Credit Facilities shall not be deemed a Qualified Receivables Financing.

"Receivable" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined in accordance with GAAP (including obligations classified under "Debtors" under Dutch GAAP).

"Receivables Assets" are any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"Receivables Financing" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), and (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"Receivables Repurchase Obligation" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Receivables Subsidiary" means a Wholly-Owned Restricted Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Issuer or any other Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Issuer or any other Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings,

(b) with which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, and

(c) to which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"Refinancing" means the refinancing of Indebtedness of Target with the proceeds of financings consummated in November 2003.

"Refunding Share Capital" is as defined pursuant to the covenant entitled "Limitation on Restricted Payments."

"*Related Business Assets*" means assets other than cash or Cash Equivalents used or useful in a Similar Business; *provided* that any assets received by the Issuer or any Restricted Subsidiary of the Issuer in exchange for assets transferred by the Issuer or a Restricted Subsidiary shall not be deemed to be Related Business Assets if they consist of securities of a Person, unless upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary.

"*Representative"* means the trustee, agent or representative expressly authorized to act in such capacity, if any, for an issue of Senior Debt, and in relation to the Senior Facilities shall mean the Senior Facility Agent appointed thereunder.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means, at any time, any Subsidiary of the relevant Person that is not then an Unrestricted Subsidiary.

"Retired Share Capital" is as defined pursuant to the covenant entitled "Limitation on Restricted Payments."

"*S&P*" means Standard & Poor's Ratings Services or any of its successors or assigns.

"Security Agent" means ABN AMRO Bank N.V. acting as security agent pursuant to the Intercreditor Agreement or such successor security agent as may be appointed thereunder.

"*Senior Debt*" means:

(1) Obligations under the Senior Facilities; and

(2) Obligations under any other Indebtedness permitted to be incurred under the terms of the Indenture, unless in the instrument under which such Indebtedness is incurred expressly provides that such obligations are (a) subordinated in right of payment to the Notes, in the case of Indebtedness of the Issuer or (b) equal with, or are subordinated, in right of payment to the Guarantor's Guarantee or the Proceeds Loan, in the case of Indebtedness of a Guarantor.

in each case, including accrued and unpaid interest (including interest accruing subsequent to the filing of, or which would have accrued but for the filing of, a petition for insolvency, bankruptcy, administration or any similar proceeding, in accordance with and at the rate specified in the documents evidencing or governing such Senior Debt, whether or not such interest is an allowable claim in such insolvency or bankruptcy proceeding).

In no event shall "*Senior Debt*" include:

(1) any liability for taxes owed or owing to any governmental authority;

(2) any Indebtedness of the Issuer or any Restricted Subsidiary to the Issuer or any Restricted Subsidiary;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities); or

(4) any obligations with respect to any Share Capital;

(5) the portion of any Indebtedness Incurred in violation of the Indenture.

"Senior Facilities" means the Senior Facilities Agreement dated as of April 30, 2004, by and among VDXK, and the agents, lenders and other parties thereto, together with the related documents thereto (including the term loans and revolving loans thereunder, any guarantees and security documents and any related Hedging Obligations), as amended, extended, renewed, restated, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, including any increase in the commitments or amounts borrowed thereunder, and any agreement, note or indenture (and related documents) governing Indebtedness incurred to refinance, refund or renew, in whole or in part, the borrowings and commitments under such Senior Facilities Agreement or a successor Senior Facilities Agreement, whether by the same or any other lender, investor or group of lenders or investors.

"Senior Subordinated Debt" means, with respect to any Guarantor, any Indebtedness of such Guarantor that specifically provides that such Indebtedness is to rank *pari passu* with such Guarantor's Guarantee in right of payment and is not subordinated by its terms in right of payment to any other Indebtedness or other obligation of such Guarantor which is not Senior Debt.

"Share Capital" means:

(1) in the case of a company, any and all shares, interests, participations or other equivalent (however designated and whether voting or non-voting) of share capital or corporate share capital;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of share capital or corporate share capital;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

For the avoidance of doubt, in no event shall any Shareholder Debt or any instrument issued on similar terms constitute Share Capital.

"Share Pledge Enforcement Sale" means any sale or disposition of Share Collateral pursuant to the enforcement of security in favor of the Senior Facilities or other Senior Debt of the Issuer or its Restricted Subsidiaries which complies with the terms of the Intercreditor Agreement or an Additional Intercreditor Agreement as applicable (or if there is no such intercreditor agreement, would comply in all material respects with the requirements of the Intercreditor Agreement).

"*Shareholder Debt*" means (A) the Dutch Hybrid Instruments (to the extent the terms thereof are not materially altered to the detriment of the Holders, no payment thereunder is made in cash in respect of principal or interest and they remain subordinated to the Notes, and provided that if the terms including the subordinated provisions thereof, are so materially altered or such payment is made the amount of any outstanding Dutch Hybrid Instruments so amended or with respect to which such payment was made shall not be considered to be Shareholder Debt and shall be deemed to be Indebtedness incurred on the date of such action); and (B) Indebtedness of the Issuer (and any security into which such Indebtedness is convertible or for which it is exchangeable at the option of the holder) issued to and held by a Parent Company or one or more shareholders of a Parent Company or any Permitted Holder or Affiliate thereof that (1) does not mature or require any cash amortization, redemption or other cash repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such Indebtedness into Share Capital (other than Disqualified Share Capital) of the Issuer or any Indebtedness meeting the requirements of this definition), (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts, (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes, (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Restricted Subsidiaries, (5) does not contain any covenants (financial or otherwise), as applicable, other than a covenant to pay such Shareholder Debt and (6) is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which taken as a whole are no less favorable in any material respect to the Holders than those contained in the Intercreditor Agreement and the Guarantees, as applicable, as in effect on the Issue Date.

"*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 US Securities Act, as such regulation is in effect on the date hereof.

"*Similar Business*" means the non-food retail business, and any services, activities or businesses incidental or directly related or similar thereto, or any line of businesses engaged in by the Issuer and its Subsidiaries on the Issue Date or any business activity that is a reasonable extension, development, application or expansion thereof or ancillary thereto.

"Standard Securitization Undertakings" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing including, without limitation, those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to the Notes,   , 2014.

"*Subordinated Indebtedness*" means:

(1) with respect to the Issuer, any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Notes, including the Shareholder Debt; and

(2) with respect to any Guarantor, any Indebtedness of such Guarantor which is by its terms subordinated in right of payment to such Guarantor's Guarantee.

"*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 Share Capital 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; and

(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.

"*Taxes*" means any present or future taxes, duties, levies, imposts, assessments or other governmental charges (including penalties, interest and other liabilities related thereto).

"*Total Assets*" means the total assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet (excluding the footnotes thereto) of the Issuer prepared in accordance with GAAP.

"*Transactions*" means the Acquisition and the financing (and contemplated refinancings) thereof and the other transactions contemplated by the Transaction Documents and the payment of costs, fees and expenses related thereto.

"*Transaction Documents"* means all documents relating to the Acquisition, the Senior Facilities, the Intercreditor Agreement, the Indenture, the Notes, the Security and, in each case, all other documents and agreements made by the Issuer, any Parent Company or Affiliate of the Issuer, the Trustee, the Security Agent and/or Target in connection therewith.

"*Unrestricted Subsidiary"* means:

(1) each of the Propco Companies;

(2) any Subsidiary of the Issuer which at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer, as provided below); and

(3) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary (including any existing Subsidiary and any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness (other than the Subordinated Propco Loans) of, or owns or holds any Lien on any property of, the Issuer or any Subsidiary of the Issuer (other than any Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary); *provided* that such designation complies with the covenant described under "—Certain Covenants—Limitation on Restricted Payments"; (b) each Subsidiary to be so designated and its Subsidiaries has not at the time of such designation created, incurred, assumed, guaranteed or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any Restricted Subsidiary (other than would be released upon such designation) or the incurrence of which would not be prohibited under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares".

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that, immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing and either:

(1) the Issuer could incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Share Capital and Preference Shares"; or

(2) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would be no less than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such designation, in each case on a *pro forma* basis taking into account such designation.

Any such designation by the Board of Directors of the Issuer shall be notified by the Issuer to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*US Exchange Act*" means the US Securities Exchange Act of 1934, and the rules and regulations of the Commission promulgated thereunder, as amended.

"*US GAAP*" means generally accepted accounting principles in the United States of America.

"*US Securities Act*" means the US Securities Act of 1933 and the rules and regulations of the Commission promulgated thereunder, as amended.

"Voting Shares" of any Person as of any date means the Share Capital of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness or Share Capital, 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 Share Capital multiplied by the amount of such payment, by

(2) the sum of all such payments.

"Wholly-Owned Restricted Subsidiary" is any Wholly-Owned Subsidiary that is a Restricted Subsidiary.

"Wholly-Owned Subsidiary" of any Person means a Subsidiary of such Person, 100% of the outstanding Share Capital or other ownership interests of which (other than directors' qualifying shares, or interests of partners not entitled to economic participation) shall at the time be owned by such Person, or by one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person.

"Working Capital Intercompany Loans" means loans to or by the Issuer or any of its Restricted Subsidiaries to or from the Issuer or any of its Restricted Subsidiaries from time to time (i) for purposes of consolidated cash management and working capital management or (ii) for a duration of less than one year.

BOOK-ENTRY; DELIVERY AND FORM

General

Each series of notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "144A Global Note"). Each series of notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Reg S Global Note," and together with the 144A Global Note, the "Global Notes"). On the closing date, the Global Notes will be deposited with, and registered in the name of, a common depository for Euroclear and Clearstream Banking, or its nominee.

Ownership of interests in the 144A Global Note ("Rule 144A Book-Entry Interests") and ownership of interests in the Reg S Global Note (the "Reg S Book-Entry Interests," and together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream Banking 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 Banking and their participants. The notes will not be eligible for clearance with The Depository Trust Company.

Except as set forth below under "—Issuance of Definitive Registered Notes," the Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream Banking 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.

So long as the notes are held in global form, the common depository for Euroclear and/or Clearstream Banking (or its nominee) will be considered the sole holder of Global Notes for all purposes under the Indenture and "holders" of Book-Entry Interests will not be considered the owners or "holders" of notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream Banking and indirect participants must rely on the procedures of the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

None of the issuer, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream Banking, as applicable, will distribute the amount received by them in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in 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 Banking, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The issuer understands that under existing practices of Euroclear and Clearstream Banking, if fewer than all of the notes are to be redeemed at any time, Euroclear and Clearstream Banking 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 €50,000 principal amount may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to the common depositary or its nominee for Euroclear and Clearstream Banking, which will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Notes—Withholding Taxes." If any such deduction or withholding is required to be made, then, to the extent described under "Description of the Notes—Withholding Taxes" above, we will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the issuer, the guarantors and the Trustee will treat the registered holder of the Global Notes (e.g., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the issuer or the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream Banking or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream Banking or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream Banking or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;
- Euroclear, Clearstream Banking or any participant or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream Banking have advised the issuer that they will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion to the aggregate principal amount of notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream Banking 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 Banking reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream Banking will be effected in accordance with Euroclear and Clearstream Banking's rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream Banking and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth under the caption "Notice to Investors." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed under the caption "Notice to Investors."

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exemption (if available under the Securities Act).

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, to the extent permitted by Euroclear and/or Clearstream Banking, owners of Book-Entry Interests will receive definitive notes in registered form without coupons ("Definitive Registered Notes"):

- if either Euroclear or Clearstream Banking notifies the issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the issuer within 120 days;
- if Euroclear or Clearstream Banking so request following an event of default under the Indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream Banking following an event of default under the Indenture.

Euroclear has advised the issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding third bullet, its customary procedure is to request that the issuer issue or cause to be issued notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream Banking, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry

Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "Notice to Investors," unless that legend is not required by the Indenture or applicable law.

In the event that individual Definitive Registered Notes are issued (in the circumstances described above), payments and transfers with respect thereto may be executed at the office of AIB/BNY Fund Management (Ireland) Limited. as paying agent in Ireland. If issued, individual Definitive Registered Notes may be presented for registration of transfer at the office of AIB/BNY Fund Management (Ireland) Limited as transfer agent in Ireland, upon delivery of a written instrument of transfer, a form of which will be available at the office of such agent. No service charge will be made for any registration of transfer of notes, but we may require payment of a sum sufficient to cover any tax or governmental charge payable in connection with that registration.

To the extent permitted by law, the issuer, the Trustee, the Paying Agents and the Registrars shall be entitled to treat the registered holder as the absolute owner thereof.

Global Clearance and Settlement Under the Book-Entry System

Initial Settlement

Initial settlement for the notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream Banking 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 Banking 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 Banking, 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 seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream Banking

We understand as follows with respect to Euroclear and Clearstream Banking, Euroclear and Clearstream Banking hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream Banking provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking interface with domestic securities markets. Euroclear and Clearstream Banking participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream Banking is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream Banking participant, either directly or indirectly.

TAXATION

Certain Dutch tax considerations

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this offering memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Except as otherwise indicated, this summary only addresses the consequences to investors who do not have any connection with the Netherlands other than the holding of the notes. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of the notes under the laws of their country of citizenship, residence, domicile or incorporation.

Withholding Tax

All payments by the issuer of interest and principal under the notes can be made free of withholding or deduction for, or on 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

A holder of a note who derives income from a note or who realises a gain on the disposal or redemption of a note will not be subject to Dutch taxation on such income or capital gains unless:

(i) the holder is, or is deemed to be, resident in the Netherlands, or, where the holder is an individual, such holder has elected to be treated as a resident of the Netherlands; or

(ii) such income or gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in the Netherlands; or

(iii) the holder is not an individual and the holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the issuer and such interest does not form part of the assets of an enterprise; or

(iii) the holder is an individual and the holder has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) in the issuer or such income or gain otherwise qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Gift, Estate or Inheritance Taxes

Dutch gift, estate or inheritance taxes will not be levied on the transfer of a note by way of gift by, or on the death of, a holder, unless:

(i) the holder is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance 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; or

(iii) such note is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment or a permanent representative in the Netherlands.

Value Added Tax

There is no Dutch value added tax payable by a holder of a note in respect of payments in consideration for the issue of the notes or in respect of the payment of interest or principal under the notes, or the transfer of the notes.

Other Taxes and Duties

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in the Netherlands by a holder of a note in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of the notes or the performance of the issuer's obligations under the notes.

Residence

A holder of a note will not be treated as resident of the Netherlands by reason only of the holding of a note or the execution, performance, delivery and/or enforcement of the notes.

European Union Directive on the Taxation of Savings

The European Union has adopted a directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from July 1, 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

Certain United States Federal Income Tax Considerations

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of notes as of the date hereof. This summary deals only with notes that are held as capital assets by a U.S. holder (as defined below) who acquired our notes upon original issuance at their initial offering price.

A "U.S. holder" means a beneficial owner that is for United States federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes or all tax considerations that may be relevant to U.S. holders in light of their personal circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark to market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, investors in pass-through entities, tax-exempt entities or insurance companies;
- tax consequences to persons holding the notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of the notes whose "functional currency" is not the United States dollar;
- alternative minimum tax consequences, if any; or
- any state, local or foreign tax consequences.

If a partnership holds our notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our notes, you should consult your tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the ownership of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Payments of Interest

Except as set forth below, interest on a note (including any payment of additional amounts) will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. Subject to the discussion of exchange gain and loss below, interest income on a note generally will constitute foreign source income and for purposes of the United States foreign tax credit, generally will be considered "passive income" or, for certain types of U.S. holders, "financial services income."

If you receive interest payments made in euro and you use the cash basis method of accounting, you will be required to include in income the dollar value of the amount received, determined by translating the euro received at the "spot rate" for euro on the date such payment is received regardless of whether the payment is in fact converted into dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment.

If you use the accrual method of accounting, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period,
- the last day of the taxable year if the accrual period straddles your taxable year, or

- the date the interest payment is received if such date is within five business days of the end of the accrual period.

This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the Internal Revenue Service (the "IRS"). You should consult your own tax advisor as to the availability of making the above election.

Upon receipt of an interest payment on such note (including, upon the sale of a note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognize United States source ordinary gain or loss in an amount equal to the difference between the dollar value of such payment (determined by translating the euro received at the "spot rate" for euro on the date such payment is received) and the dollar value of the interest income you previously included in income with respect to such payment.

Sale, Exchange and Retirement of Notes

Your tax basis in a note will, in general, be your dollar cost for that note. You will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition of a note (less an amount equal to any accrued interest that you did not previously include in income, which will be taxable as interest income) and your tax basis in the note. If you purchased a note with foreign currency, your cost will be the dollar value of the foreign currency amount paid for such note determined at the time of such purchase. If your note is sold, exchanged or retired for an amount denominated in foreign currency, then your amount realized generally will be based on the spot rate of the foreign currency on the date of sale, exchange or retirement. If you are a cash method taxpayer and the notes are traded on an established securities market, foreign currency paid or received is translated into dollars at the spot rate on the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment with respect to the purchase and sale of notes traded on an established securities market, provided that the election is applied consistently.

Subject to the foreign currency rules discussed below, your gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other disposition, you have held the note for more than one year. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange, retirement or other disposition of a note would generally be treated as United States source gain or loss.

A portion of your gain or loss with respect to the principal amount of a note may be treated as exchange gain or loss. Exchange gain or loss will be treated as ordinary income or loss and generally will be United States source gain or loss. For these purposes, the principal amount of the note is your purchase price for the note calculated in euro on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the dollar value of the principal amount determined on the date of the sale, exchange, retirement or other disposition of the note and (ii) the dollar value of the principal amount determined on the date you purchased the note. The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the note.

Reportable Transactions

Treasury Regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions are required to be reported to the IRS including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a euro note or foreign currency received in respect of a euro note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. Holders considering the purchase of the notes should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments we make to you and the proceeds from a sale of a note paid to you, unless you are an exempt recipient such as a corporation. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS.

PLAN OF DISTRIBUTION

Citigroup Global Markets Limited and ING Bank N.V., London Branch are acting as joint book-running lead managers of the offering and as representatives of the initial purchasers named below and ABN AMRO Bank N.V. is acting as joint lead manager. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the notes of each series set forth opposite such initial purchaser's name:

Initial Purchaser[1]	Principal Amount of Floating Rate Notes €	Principal Amount of Fixed Rate Notes €
Citigroup Global Markets Limited		
ING Bank N.V., London Branch		
ABN AMRO Bank N.V.		
Total		

(1) Sales made in the United States will be made through affiliates of the initial purchasers mentioned in the table above.

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the notes if they purchase any of the notes.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Notice to Investors." The price at which the notes are offered may be changed at any time without notice.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Notice to Investors."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Each initial purchaser has represented, warranted and agreed that:

(i) it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any notes included in this offering to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(ii) 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 Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any notes included in this offering in circumstances in which section 21(1) of the FSMA does not apply to us or to the guarantors;

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes included in this offering in, from or otherwise involving the United Kingdom;

(iv) the offer and sale of the notes in the Federal Republic of Germany may be made only in accordance with the provisions of the Securities Sales Prospectus Act of the Federal Republic of Germany (*Wertpapier-verkaufsprospektgesetz*);

(v) it will not offer the notes or cause the offering of the notes to the public in Luxembourg unless all of the relevant legal and regulatory requirements have been met;

(vi) unless (vii) below applies, the notes may only be offered and such an offer shall only be announced in writing (whether electronically or otherwise), to persons or entities who or which are established, domiciled or have their usual residence (collectively, "are resident") outside the Netherlands, provided that:

- in the offer and in any advertisements or documents in which a forthcoming offer of the notes is announced (whether electronically or otherwise; collectively "announcements") it is stated that the offer is not and will not be made to persons or entities who or which are resident in the Netherlands;
- the offer, this offering memorandum and any announcements comply with the laws and regulations of any state where persons or entities to whom or which the offer is made are resident; and
- a statement by the issuer that those laws and regulations are complied with is submitted to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) before the offer or any such announcement is made and is included in each such announcement.

(vii) this offering memorandum may not be distributed and the notes (including rights representing an interest in a global note) may not be offered, sold, transferred or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to *anyone anywhere in the world* other than the following entities ("Professional Market Parties") provided they acquire the notes for their own account:

- banks, insurance companies, securities firms, collective investment institutions, or pension funds that are (a) supervised or licensed under Dutch law or (b) established in a European Economic Area member state (other than the Netherlands), Monaco, Puerto Rico, Saudi Arabia, Turkey, South Korea, the United States, Japan, Australia, Canada, Mexico, New Zealand or Switzerland, and are subject to prudential supervision in their country of establishment, and subsidiaries of such entities (provided such subsidiaries are subject to prudential supervision);
- collective investment institutions which offer their shares or participations exclusively to professional investors (or, as far as foreign investment institutions are concerned, investors located in the Netherlands) and are not required to be supervised or licensed under Dutch law;
- the Dutch government (*de Staat der Nederlanden*), the Dutch Central Bank (De Nederlandsche Bank N.V.), a foreign government body being part of a central government, a foreign central bank, Dutch or foreign regional, local or other decentralized governmental institutions, international treaty organisations and supranational organizations;

- enterprises or entities with total assets of at least €500,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the notes;
- enterprises, entities, or natural persons with a net equity (*eigen vermogen*) of at least €10,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the notes and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;
- any company or entity with a credit rating from an approved rating agency or whose securities have such a rating; and

All such notes shall bear a legend to the following effect:

THIS NOTE MAY NOT BE SOLD, TRANSFERRED OR DELIVERED *TO ANYONE ANYWHERE IN THE WORLD* OTHER THAN TO PROFESSIONAL MARKET PARTIES ("PMP") WITHIN THE MEANING OF THE EXEMPTION REGULATION UNDER THE DUTCH ACT ON THE SUPERVISION OF CREDIT INSTITUTIONS 1992.

EACH HOLDER OF NOTES, BY PURCHASING THE NOTES, WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT (1) SUCH HOLDER IS A PMP AND IS ACQUIRING SUCH NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PMP, THAT (2) SUCH NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANYONE ANYWHERE IN THE WORLD OTHER THAN TO A PMP ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PMP AND THAT (3) THE HOLDER WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS DESCRIBED HEREIN TO ANY SUBSEQUENT TRANSFEREE.

(viii) the offer and sale of the notes in France will only be made to qualified investors, in accordance with Article L.411-2 242 of the Code Monétaire et Financier and Decree No.98-880, dated October 1, 1998, as amended;

(ix) the offer and sale of the notes in Spain may not be made except in accordance with the requirements of the Spanish Securities Market Law (Ley 24/1998 de 28 de julio, del mercado de valores), as amended, and Royal Decree 291/1992, on Issues and Public Offerings of Securities (Real Decreto 291/92, de 27 de marzo, sobre emisiones y ofertas públicas de valores), as amended; and

(x) the offering of the notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, directly or indirectly, nor may copies of this offering memorandum or of any other document relating to the notes be distributed in the Republic of Italy, except (i) to qualified investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended; or (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Italian Financial Services Act"), its implementing CONSOB regulations including Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended. Any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes in the Republic of Italy under (i) or (ii) above must be (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act and Legislative Decree No. 385 of September 1, 1993, (the "Banking Act"), as amended and the implementing guidelines of the Bank of Italy; and (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, inter alia, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and in accordance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB or the Bank of Italy. In any case, the notes cannot be offered or sold to any individuals in Italy, neither in the primary or secondary market.

The notes of each series will constitute a new class of securities with no established trading market. Application has been made to list the notes on the Irish Stock Exchange. However, we cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes of each series. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934 and may be limited. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes of either series.

In connection with this offering, the initial purchasers may purchase and sell notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

In connection with the offering, Citigroup or any person acting for Citigroup may, for a limited period after the issue date, over-allot or effect transactions with a view to supporting the market price of the notes and any associated securities at a level higher than that which might otherwise prevail. However, neither Citigroup, nor any person acting for it, has any obligation to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

Other Relationships

Affiliates of the initial purchasers are lenders under our syndicated credit facilities. See "Description of Certain Indebtedness." The initial purchasers and their affiliates have performed commercial and investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The initial purchasers may, from time to time, engage in transactions with, and perform services for, us in the ordinary course of their business.

NOTICE TO INVESTORS

The notes have not been registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act and in offshore transactions in reliance on Regulation S under the Securities Act.

Each purchaser of notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the initial purchasers as follows:

(1) It understands and acknowledges that the notes have not been registered under the Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the Securities Act) of ours or acting on our behalf and it is either:

   (i) a Qualified Institutional Buyer, or QIB, within the meaning of Rule 144A under the Securities Act and is aware that any sale of notes to it will be made in reliance on Rule 144A under the Securities Act, of which the acquisition will be for its own account or for the account of another QIB; or

   (ii) an institution that, at the time the offer to purchase the notes was made and at the time the buy order for the notes was originated, was outside the United States within the meaning of Regulation S under the Securities Act.

(3) It acknowledges that neither we, nor the initial purchasers, nor any person representing us or the initial purchasers, has made any representation to it with respect to the offering or sale of any notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the notes. It has had access to such financial and other information concerning us and the notes it has deemed necessary in connection with its decision to purchase any of the notes.

(4) It is purchasing the notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

    Each holder of notes issued in reliance on Rule 144A ("Rule 144A Notes") agrees on its own behalf and on behalf of any investor account for which it is purchasing the notes, and each subsequent holder of the notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such notes prior to the date that is two years after the later of the date (the "Resale Restriction Termination Date") of the original issue and the last date on which the issuer or any of our affiliates was the owner of such notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the notes are eligible pursuant to Rule 144A under the Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. Each purchaser acknowledges that each Rule 144A note will contain a legend substantially to the following effect:

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, 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 OF 1933. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT OF 1933, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933 ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933 OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE

TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE.

(5) It agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes.

(6) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

(7) It acknowledges that the Trustee will not be required to accept for registration of transfer any notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth therein have been complied with.

All such notes shall bear a legend to the following effect:

THIS NOTE MAY NOT BE SOLD, TRANSFERRED OR DELIVERED *TO ANYONE ANYWHERE IN THE WORLD* OTHER THAN TO PROFESSIONAL MARKET PARTIES ("PMP") WITHIN THE MEANING OF THE EXEMPTION REGULATION UNDER THE DUTCH ACT ON THE SUPERVISION OF CREDIT INSTITUTIONS 1992.

EACH HOLDER OF NOTES, BY PURCHASING THE NOTES, WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT (1) SUCH HOLDER IS A PMP AND IS ACQUIRING SUCH NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PMP, THAT (2) SUCH NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANYONE ANYWHERE IN THE WORLD OTHER THAN TO A PMP ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PMP AND THAT (3) THE HOLDER WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS DESCRIBED HEREIN TO ANY SUBSEQUENT TRANSFEREE.

It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing 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 notes are no longer accurate, it shall promptly notify the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

ENFORCEMENT OF CERTAIN CIVIL LIABILITIES

The issuer and each of the Guarantors is a private company with limited liability (*besloten vennootschap met beperkte aansprakepijkheid*) incorporated under the laws of the Netherlands. All of the directors of the issuer and the Guarantors are non-residents of the United States and their assets, and those of such persons, are located outside the United States. As a result, you may not be able to effect service of process on such persons, the issuer or the Guarantors within the United States or to enforce in the Netherlands judgments obtained in United States courts against them, the issuer or the Guarantors based on civil liability provisions of the United States federal and state securities laws or other laws. We have been advised by our Dutch counsel, Clifford Chance LLP, that there is doubt as to the direct enforceability in the Netherlands of civil liabilities predicated upon the federal securities laws of the United States.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Simpson Thacher & Bartlett LLP, London, England as to matters of United States federal and New York State law and by Clifford Chance LLP, Amsterdam, the Netherlands as to matters of Dutch law. Certain legal matters in connection with the offering will be passed upon for the initial purchasers by Shearman & Sterling (London) LLP, London, England as to matters of United States federal and New York State law.

INDEPENDENT ACCOUNTANTS

The financial statements of Vendex KBB as of the end and for Fiscal 2001, 2002 and Fiscal 2003 included in this offering memorandum have been audited by KPMG Accountants N.V. ("KPMG"), independent auditors, as stated in their report appearing in this offering memorandum. KPMG has consented to the inclusion in the offering memorandum of the financial statements of Vendex KBB.

WHERE YOU CAN FIND MORE INFORMATION

We are not currently subject to the periodic reporting and other information requirements of the United States Securities Exchange Act of 1934.

Each purchaser of the notes from the initial purchasers will be furnished with a copy of this offering memorandum, and to the extent provided to the initial purchaser by us for such purpose, any related amendments or supplement 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.

For so long as any of the notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a note, or to any prospective purchaser of a note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the Securities Act upon the written request of any such holder or beneficial holder. Any such request should be directed to us at De Klencke 6, 1083 HH Amsterdam, the Netherlands, telephone number +31 205 490500.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the notes on the Irish Stock Exchange in accordance with the rules of that exchange.

A copy of the listing memorandum will be delivered to the Registrar of Companies in Ireland.

Pursuant to the rules of the Irish Stock Exchange, the issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the issuer the information contained in this document together with the issuer's interim reports is in accordance with the facts and does not omit anything likely to affect the import of such information. Information relating to the Guarantors was provided by the respective Guarantor.

For as long as the notes are listed on the Irish Stock Exchange and the rules of that exchange require, copies of the following documents may be inspected and obtained at the specified office of the issuer and the Irish paying agent:

- our organizational documents;
- our most recent audited financial statements, and any interim quarterly financial statements published by us;
- the purchase agreement relating to the notes;
- the Indenture (which includes the form of the notes);
- the Intercreditor Agreement; and
- the share pledges associated with the notes.

As long as the notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange shall so require, we will maintain a paying and transfer agent in Ireland. We reserve the right to vary such appointment and we will publish notice of such change of appointment in a newspaper having a general circulation in Ireland.

We have appointed AIB/BNY Fund Management (Ireland) Limited as paying agent in Ireland and The Bank of New York as principal paying agent to make payments on, and transfers of, the notes. We reserve the right to vary such appointment.

Application may be made to the Irish Stock Exchange to have the notes removed from listing on the Irish Stock Exchange, including if necessary to avoid any new withholding taxes in connection with the listing.

So long as the notes are listed on the Irish Stock Exchange, the notes will be freely transferable and negotiable in accordance with the rules of the Irish Stock Exchange.

Victoria Acquisition III B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) was established in the Netherlands on April 26, 2004. The issuer's registered office is De Klencke 6, 1083 HH Amsterdam, the Netherlands and its register commercial number is 34206148. The issuance of the notes and our execution of the Indenture were authorized by a resolution adopted by the issuer's Board of Management on   , 2004.

As of the date of this offering memorandum, our most recent audited financial statements available were as of and for the 52-week ended February 1, 2004 and our most recent unaudited financial statements available were as of and for the 26-week period ended August 1, 2004.

Except as disclosed in this listing memorandum, there has been no material adverse change in our financial position since July 31, 2004; and we have not been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the notes, and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

Clearing Information

The notes sold pursuant to Regulation S and the notes sold pursuant to Rule 144A of the Securities Act have been accepted for clearance through the facilities of Euroclear and Clearstream Banking under common codes and , respectively. The international securities identification number for the notes sold pursuant to Regulation S is and the international securities identification number for the notes sold pursuant to Rule 144A is .

Guarantor Information

As of the date of this offering memorandum, the Guarantors consist of HEMA België B.V., M&S Mode Nederland B.V., Schaap en Citroen B.V., Vroom & Dreesmann Warenhuizen B.V., Vendex KBB Speciaalzaken B.V., Vendex KBB Nederland B.V., Vendex KBB DIY Group B.V., M&S Mode France B.V., M&S Mode International B.V., M&S Mode Spain B.V., Modehuizen Claudia Sträter B.V., Praxis Doe-het-Zelf Center B.V., Praxis Groep B.V., IMpact Retail B.V., IMpact Retail Holding B.V., KBB Buitenland B.V., Magazijn "De Bijenkorf" B.V., Dixons B.V., Formido Bouwmarkten B.V., HEMA B.V., Hunkemöller B.V., Koninklijke Vendex KBB B.V., Divisie Bijenkorf B.V., Divisie HEMA B.V., Divisie Vroom & Dreesmann B.V. and VDXK Acquisition B.V. As of August 1, 2004 and for the Last 12 Months, the subsidiaries of Vendex KBB that are Guarantors collectively held approximately 81% of the assets of Vendex KBB excluding the Propcos, generated approximately 79% of the revenues of Vendex KBB excluding the Propcos and 74% of the adjusted EBITDA of Vendex KBB excluding the Propcos.

The guarantees have been authorized by resolutions of the Board of Management (or equivalent body) of each of the Guarantors on , 2004.

VDXK Acquisition B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on April 26, 2004. Its registered office is De Klencke 6, 1083 HH Amsterdam, the Netherlands. VDXK Acquisition B.V. is registered with the commercial register under number 34206152. Its principal activity is to incorporate, to participate in any way whatsoever in, to manage, to finance and to supervise businesses and companies, to finance businesses and companies; to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with the aforementioned; to supply advice and to render services to businesses and companies with which the Company forms a group and to third parties; to render guarantees, to bind the Company and to pledge its assets for obligations of the companies and enterprises with which it forms a group and for the benefit of third parties; to obtain, encumber, alienate, manage and exploit registered property, other properties and items of property in general; to trade in currencies, securities and items of property in general; to develop and trade in patents, trade marks, licenses, know-how and other industrial property rights; to perform any and all activities of an industrial, financial or commercial nature, all in the widest sense. VDXK Acquisition B.V. has issued 18,001 shares in the amount of €18,001, which is fully paid up. The member of the board of VDXK Acquisition B.V. is Victoria Acquisition B.V.

Koninklijke Vendex KBB B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on July 25, 1905. Its registered office is De Klencke 6, 1083 HH Amsterdam, the Netherlands. Koninklijke Vendex KBB B.V. is registered with the commercial register under number 33136863. Its principal activity is to incorporate, to participate in any way whatsoever in, to manage, to finance and to supervise businesses and companies, to finance businesses and companies; to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities; to render advice and services to businesses and companies with which the Company forms a group and to third parties; to render guarantees, to bind the Company and to pledge its assets for obligations of businesses and companies with which it forms a group and on behalf of third parties; to acquire, encumber, alienate, manage and exploit registered property and items of property in general; to trade in currencies, securities and items of property in general; to develop and trade in patents, trade marks, licenses, know-how and other industrial property rights; to perform any and all activities of an industrial, financial or commercial nature, all in the widest sense. Koninklijke Vendex KBB B.V. has issued 90,783,520 ordinary shares and 21,000 Preference B shares in the amount of €2,655,670.40, which is fully paid up. The members of the board of Koninklijke Vendex KBB B.V. are Messrs. P.E. Hamming, D.R. Goeminne and R.M. van der Mark.

Vendex KBB Nederland B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on December 6, 1974. Its registered office is De Klencke 6, 1083 HH Amsterdam, the Netherlands. Vendex KBB Nederland B.V. is registered with the commercial register under number 33140908. Its principal activity is to participate in, to manage, to finance enterprises and companies, and to render services to enterprises and companies, in particular to enterprises and companies which objects are retail trade and to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties and to bind itself as a surety jointly and severally, to provide security for debt of third parties, all this in the widest sense. Vendex KBB Nederland B.V. has issued 32,695 shares in the amount of €3,269,500, which is fully paid up. The member of the board of Vendex KBB Nederland B.V. is Unikavee B.V.

KBB Buitenland B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on December 30, 1994. Its registered office is De Klencke 6, 1083 HH Amsterdam, the Netherlands. KBB Buitenland B.V. is registered with the commercial register under number 33265543. Its principal activity is the trade in and the manufacturing of goods, to render services, to participate in, to manage and to finance enterprises and companies, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties, all this in the widest sense. KBB Buitenland B.V. has issued 4,538 shares in the amount of €453,800, which is fully paid up. The member of the board of KBB Buitenland B.V. is Unikavee B.V.

Vendex KBB Speciaalzaken B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on December 18, 1969. Its registered office is Liebergerweg 28, 1221 JS Hilversum, the Netherlands. Vendex KBB Speciaalzaken B.V. is registered with the commercial register under number 32066447. Its principal activity is to render services to enterprises and companies, in particular enterprises and companies in retail trade and other services, to participate, to manage, to finance other enterprises, and to provide security for the debt of third parties, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties, all this in the widest sense. Vendex KBB Speciaalzaken B.V. has issued 68,113 shares in the amount of €6,811,300, which is fully paid up. The members of the board of Vendex KBB Speciaalzaken B.V. are Unikavee B.V. and J.W.M. Holtel.

Divisie Bijenkorf B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on April 2, 1976. Its registered office is De Klencke 6, 1083 HH Amsterdam, the Netherlands. Divisie Bijenkorf B.V. is registered with the commercial register under number 33160642. Its principal activity is to participate in and to acquire multiple stores and service companies, rendering of services, participating in other companies and providing of security. Divisie Bijenkorf B.V. has issued 227 shares in the amount of €22,700, which is fully paid up. The members of the board of Divisie Bijenkorf B.V. are Unikavee B.V., Messrs. J.C. Berger and P.A. Van Kampen.

Magazijn "De Bijenkorf" B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on November 22, 1965. Its registered office is Frankemaheerd 6, 1102 AN

Amsterdam Zuidoost, the Netherlands. Magazijn “De Bijenkorf” B.V. is registered with the commercial register under number 33116577. Its principal activity is the trade in goods in the widest sense, rendering of services, establishing, acquiring, participating in other companies with the same or similar object, to bind itself as a surety or jointly and severally, to provide security for debts of third parties. Magazijn “De Bijenkorf” B.V. has issued 9,167 shares in the amount of €916,700, which is fully paid up. The members of the board of Magazijn “De Bijenkorf” B.V. are Unikavee B.V., Messrs. J.C. Berger, G.B. Colauto and P.A. van Kampen.

Divisie HEMA B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on March 16, 1960. Its registered office is Frankemaheerd 2, 1102 AN Amsterdam Zuidoost, the Netherlands. Divisie HEMA B.V. is registered with the commercial register under number 33103135. Its principal activity is to manage, to participate in and to acquire multiple stores and service industries, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. Divisie HEMA B.V. has issued 5,446 shares in the amount of €5,446,000, which is fully paid up. The members of the board of Divisie HEMA B.V. are Unikavee B.V., Messrs. V.E.M. Bröring, J.C. de Planque and R.A. van Zetten, Ms. M.D. Lambert.

HEMA B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on June 10, 1926. Its registered office is Frankemaheerd 2, 1102 AN Amsterdam Zuidoost, the Netherlands. HEMA B.V. is registered with the commercial register under number 33027382. Its principal activity is the trade in goods in the widest sense, to render services, to bind itself as a surety or jointly and severally, to provide security for debt of third parties. HEMA B.V. has issued 11,222 shares in the amount of €1,122,200, which is fully paid up. The members of the board of HEMA B.V. are Unikavee B.V., Messrs. V.E.M. Bröring, J.C. de Planque and R.A. van Zetten, Ms. M.D. Lambert.

HEMA België B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on August 17, 1906. Its registered office is De Klencke 6, 1083 HH Amsterdam, the Netherlands. HEMA-België B.V. is registered with the commercial register under number 33010520. Its principal activity is the trade in goods, to render services, to manage, to participate in and to acquire multiple stores, services industries and other trade—or industrial companies, to provide guarantees and to encumber assets for the benefit of other group companies or third parties. All of the above mentioned in the widest sense. HEMA België B.V. has issued 19,513 shares in the amount of €1,951,300, which is fully paid up. The members of the board of HEMA België B.V. are Unikavee B.V., Messrs. V.E.M. Bröring, J.C. de Planque, R.A. van Zetten and Ms. M.D. Lambert.

Divisie Vroom & Dreesmann B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on September 29, 2003. Its registered office is Spaklerweg 52, 1096 BA Amsterdam, the Netherlands. Divisie Vroom & Dreesmann B.V. is registered with the commercial register under number 34196123. Its principal activity is to act as a holding company and to encumber assets of the company for the benefit of other group companies and third parties. Divisie Vroom & Dreesmann B.V. has issued 180 shares in the amount of €18,000, which is fully paid up. The members of the board of Divisie Vroom & Dreesmann B.V. are Unikavee B.V., Messrs. A.P. Balvers, A.O. van Eijk, D.R. Goeminne and E.F.L.M. Randag.

Vroom & Dreesmann Warenhuizen B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on November 20, 2003. Its registered office is Spaklerweg 52, 1096 BA Amsterdam, the Netherlands. Vroom & Dreesmann Warenhuizen B.V. is registered with the commercial register under number 34198378. Its principal activity is trade and industry and in particular the retail trade, as well as rendering services and production in connection with retail trade, as well as participating in, managing of, financing of companies and enterprises and providing security for debts of others. Vroom & Dreesmann Warenhuizen B.V. has issued 180 shares in the amount of €18,000, which is fully paid up. The members of the board of Vroom & Dreesmann

Warenhuizen B.V. are Unikavee B.V., Messrs. A.P. Balvers, A.O. van Eijk, D.R. Goeminne and E.F.L.M. Randag.

Vendex KBB DIY Group B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on December 27, 1955. Its registered office is De Klencke 6, 1083 HH Amsterdam, the Netherlands. Vendex KBB DIY Group B.V. is registered with the commercial register under number 33140909. Its principal activity is retail and wholesale trade in movables, especially wood and wood products and other building materials, do-it-yourself products and related articles and garden articles and to conclude purchase agreements on behalf of itself and other enterprises and companies, as well as to exploit franchising formulas in connection with above mentioned activities, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. All of the above mentioned in the widest sense. Vendex KBB DIY Group B.V. has issued 567,226 shares in the amount of €56,722,600, which is fully paid up. The members of the board of Vendex KBB DIY Group B.V. are Unikavee B.V., Messrs. G.M.E.J. Verkest, J. Ferwerda, A.A. Walter and J.W.G. van der Wurff.

Praxis Doe-het-Zelf Center B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on February 27, 1978. Its registered office is Eekholt 54, 1112 XH Diemen, the Netherlands. Praxis Doe-het-Zelf Center B.V. is registered with the commercial register under number 33152545. Its principal activity is retail and wholesale trade in movables, especially wood and wood products and other building materials, do-it-yourself products and related articles and garden articles, as well as to exploit franchising formulas in connection with above mentioned activities, to participate in, to manage, to finance other enterprises and companies, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. Praxis Doe-het-Zelf Center B.V. has issued 227 shares in the amount of €22,700, which is fully paid up. The members of the board of Praxis Doe-het-Zelf Center B.V. are Unikavee B.V., Messrs. A.A. Walter, J.W.G. van der Wurff, J. Ferwerda and G.J.B. Weber.

Praxis Groep B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on June 15, 1976. Its registered office is Eekholt 54, 1112 XH Diemen, the Netherlands. Praxis Groep B.V. is registered with the commercial register under number 33145849. Its principal activity is to manage, to participate in and to acquire multiple stores and service industries, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. Praxis Groep B.V. has issued 227 shares in the amount of €22,700, which is fully paid up. The members of the board of Praxis Groep B.V. are Unikavee B.V., Messrs. A.A. Walter, J.W.G. van der Wurff, J. Ferwerda and G.J.B. Weber.

Formido Bouwmarkten B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on December 30, 1988. Its registered office is Watergoorweg 65, 3861 MA Nijkerk Gld, the Netherlands. Formido Bouwmarkten B.V. is registered with the commercial register under number 30133993. Its principal activity is retail and wholesale trade in moveables, especially wood and wood products and other building materials, do-it-yourself products and related articles and garden articles, as well as to exploit franchising formulas in connection with above mentioned activities, to participate in, to manage, to finance other enterprises and companies, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. All of the above mentioned in the widest sense. Formido Bouwmarkten B.V. has issued 187 shares in the amount of €18,700, which is fully paid up. The members of the board of Formido Bouwmarkten B.V. are Unikavee B.V., Praxis Groep B.V., Messrs. J.W.G. van der Wurff and J.J.C. Paardekooper.

Hunkemöller B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on January 31, 1973. Its registered office is Liebergerweg 28, 1221 JS Hilversum, the Netherlands. Hunkemöller B.V. is registered with the commercial register under number 32031078. Its principal activity is trade and industry and in particular the retail trade, as well as rendering services and production of lingerie and related articles in the widest sense, as well as participating in financing of or to bind itself for obligations of group companies. Hunkemöller B.V. has issued 568 shares in the amount of €56,800, which is fully paid up. The members of the board of Hunkemöller B.V. are Unikavee B.V., Messrs. R.C. Hemmer and J.W.M. Holtel.

Modehuizen Claudia Sträter B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on April 14, 1949. Its registered office is Stammerhove 1, 1112 VA Diemen, the Netherlands. Modehuizen Claudia Sträter B.V. is registered with the commercial register under number 33058678. Its principal activity is the production of and the trade in clothes and fashion articles and trade and industry and more in particular the retail trade in general and to render services and to exploit franchising formulas in connection with above mentioned activities. To participate in, to manage, to finance other enterprises and companies, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. All of the above mentioned in the widest sense. Modehuizen Claudia Sträter B.V. has issued 570 shares in the amount of €57,000, which is fully paid up. The members of the board of Modehuizen Claudia Sträter B.V. are Unikavee B.V., Vendex KBB Speciaalzaken B.V., Messrs. F.W.A. Helmstrijd and C.H.M. Ernst.

M&S Mode International B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on December 20, 1991. Its registered office is Basisweg 52, 1043 AP Amsterdam, the Netherlands. M&S Mode International B.V. is registered with the commercial register under number 33235552. Its principal activity is to be active in retail and wholesale trade in movables, especially fashion articles, textile and confection products and related products, as well as to exploit franchising formulas in connection with above mentioned activities. To participate in, to manage, to finance, to co-operate, to take party in other companies, as well as providing security for debts of third parties. All of the above mentioned in the widest sense. M&S Mode International B.V. has issued 273 shares in the amount of €27,300, which is fully paid up. The members of the board of M&S Mode International B.V. are Unikavee B.V., Messrs. R.E.P. Hannen, B.F. Koops and Ms. N. Bromet.

M&S Mode Nederland B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on February 3, 1964. Its registered office is Basisweg 52, 1043 AP Amsterdam, the Netherlands. M&S Mode Nederland B.V. is registered with the commercial register under number 33111725. Its principal activity is to be active in retail and wholesale trade in movables, especially fashion articles, textile and confection products and related products, as well as to exploit franchising formulas in connection with above mentioned activities. To participate in, to manage, to finance other enterprises and companies, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. All of the above mentioned in the widest sense. M&S Mode Nederland B.V. has issued 11,345 shares in the amount of €1,134,500 (NLG 2,500,000), which is fully paid up. The members of the board of M&S Mode Nederland B.V. is are Unikavee B.V., Messrs. R.E.P. Hannen, B.F. Koops and Ms. N. Bromet.

M&S Mode France B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on August 15, 1963. Its registered office is Basisweg 52, 1043 AP Amsterdam, the Netherlands. M&S Mode France B.V. is registered with the commercial register under number 33184237. Its principal activity is to be active in retail and wholesale trade in moveables, especially fashion articles, textile and confection products and related products, as well as to exploit franchising formulas in connection with above mentioned activities. To participate in, to manage, to finance other enterprises and companies, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. All of the above mentioned in the widest sense. M&S Mode France B.V. has issued 182 shares in the amount of €18,200, which is fully paid up. The members of the board of M&S Mode France B.V. are Unikavee B.V. and M&S Mode International B.V.

M&S Mode Spain B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on May 30, 1978. Its registered office is Basisweg 52, 1043 AP Amsterdam, the Netherlands. M&S Mode Spain B.V. is registered with the commercial register under number 38004992. Its principal activity is to be active in retail and wholesale trade in moveables, especially fashion articles, textile and confection products and related products, as well as to exploit franchising formulas in connection with above mentioned activities. To participate in, to manage, to finance, to co-operate, to take party in other companies, as well as providing security for debts of third parties. All of the above mentioned in the widest sense. M&S Mode Spain B.V. has authorized and issued 908 shares in the amount of €90,800, which is fully paid up. The members of the board of M&S Mode Spain B.V. are Unikavee B.V. and M&S Mode Nederland B.V.

Dixons B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on July 24, 1931. Its registered office is Goudenheuvel 47, 5234 GA Den Bosch, the Netherlands. Dixons B.V. is registered with the commercial register under number 16023821. Its principal activity is to act as a retailer in multi-media, telecommunication, computers, consumer electronics, optical and photographic articles and other electrical and electronical goods, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. Dixons B.V. has issued 129,328 shares in the amount of €12,932,800, which is fully paid up. The members of the board of Dixons B.V. are Unikavee B.V., Messrs. J. Lesterhuis and T.L. Strijbos.

IMpact Retail Holding B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on December 29, 1955. Its registered office is Beelaarts v Bloklandstraat 14, 5042 PM Tilburg, the Netherlands. IMpact Retail Holding B.V. is registered with the commercial register under number 24217019. Its principal activity is to be active in retail and wholesale trade in movables, especially consumer electronics, household articles, computer equipment, multimedia, telecommunication articles, photo and film equipment, sports and game articles, gifts, holding company to provide security for debts of group companies. IMpact Retail Holding B.V. has issued 13,614 shares in the amount of €1,361,400, which is fully paid up. The members of the board of IMpact Retail Holding B.V. are Unikavee B.V. and J.A.A.M. van Woerkom.

IMpact Retail B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on March 24, 1930. Its registered office is Beelaarts v Bloklandstraat 14, 5042 PM Tilburg, the Netherlands. IMpact Retail B.V. is registered with the commercial register under number 18003285. Its principal activity is to be active in retail and wholesale trade in movables, especially consumer electronics, household articles, computer equipment, multimedia, telecommunication articles, photo and film equipment, sports and game articles, gifts, to provide security for debts of group companies. IMpact Retail B.V. has issued 200 shares in the amount of €20,000, which is fully paid up. The members of the board of IMpact Retail B.V. are Unikavee B.V., Messrs. J.A.A.M. van Woerkom, J.A.J. van Nuenen, J.H. Immel and J.C.T. van Brekel.

Schaap en Citroen B.V. is a private limited liability company and was incorporated under the laws of the Netherlands on August 26, 1953. Its registered office is Koningin Wilhelminaplein 30, 1062 KR Amsterdam, the Netherlands. Schaap en Citroen B.V. is registered with the commercial register under number 33081563. Its principal activity is to engage in the jewellery and watches business and more in particular the retail trade and the rendering of services in respect thereof. To participate in, to manage, to finance other enterprises and companies, to provide guarantees, to engage the company and to encumber assets of the company for the benefit of other group companies or third parties. All of the above mentioned in the widest sense. Schaap en Citroen B.V. has issued 2,280 shares in the amount of €228,000, which is fully paid up. The member of the board of Schaap en Citroen B.V. is Unikavee B.V.

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ANNEX A—SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN DUTCH GAAP AND IFRS

Introduction

On 7 June 2002, the European Council approved a Regulation on the introduction of International Financial Reporting Standards ("IFRS") into the EU for financial years beginning on or after 1 January 2005 for the consolidated financial statements of all listed groups. Because this is a Regulation rather than a Directive it passed immediately and directly into national law and does not have to be approved by Member States of the EU. As Vendex KBB became delisted as of August 3, 2004, we are not required to adopt IFRS for Fiscal 2005. However, we do expect that IFRS will be adopted by us in the near future.

The financial information included in this offering memorandum has been prepared in accordance with generally accepted accounting principles in the Netherlands ("Dutch GAAP"). Dutch GAAP differs from IFRS in respects that might be material to the financial information included in this offering memorandum. In making an investment decision, investors must rely upon their own examination of the issuer, the terms of the offering and the financial information set forth in this offering memorandum. Potential investors should consult their own professional advisors for an understanding of the differences between Dutch GAAP and IFRS and how those differences might affect the financial information included in this offering memorandum.

Certain significant differences between Dutch GAAP and IFRS relevant to the consolidated financial statements are summarized below. However, this summary does not purport to provide a comprehensive analysis, including quantification, of such differences but rather it is a listing of potential differences in accounting principles related to the consolidated financial statements. We have not quantified these differences, nor undertaken a reconciliation of the Dutch GAAP financial information to IFRS. Had we undertaken any such quantification or reconciliation, other potentially significant accounting and disclosure differences that are not identified below may have come to our attention. Accordingly, we can provide no assurance that the identified differences in the summary below represent all of the principal differences relating to the financial information included in this Offering Memorandum. Further, no attempt has been made to identify future differences between Dutch GAAP and IFRS resulting from prescribed changes in accounting standards.

Intangible fixed assets (business combinations and goodwill)

Under both IFRS and Dutch GAAP, goodwill on acquisition is capitalized as an asset and represents the excess of the cost of an acquisition over the aggregate fair values of the assets and liabilities acquired. In determining the amount of goodwill, IFRS and Dutch GAAP include different criteria for the initial recognition and measurement of (1) intangible assets apart from goodwill, (2) provisions for terminating or reducing the activities of the acquiree, and (3) contingent liabilities. Under IFRS, the cost of an acquisition does not include direct costs in respect of equity issued to effect the acquisition; IFRS requires such costs to be recorded as a reduction of the proceeds of the equity. Dutch GAAP allows—but does not require—such costs to be capitalized as part of the cost of the acquisition.

Under Dutch GAAP, the amount of goodwill capitalized is amortized over the estimated useful life, up to a maximum of 20 years, and an impairment test is carried out if there is an indication (or triggering event) that goodwill may be impaired. Under IFRS goodwill may not be amortized but must be tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. The specific impairment test model under IFRS differs from the more general impairment test model under Dutch GAAP.

Until Fiscal 2000, we did not capitalize goodwill but directly wrote off goodwill from equity as allowed under Dutch GAAP. We changed our accounting policy to capitalize goodwill prospectively, affecting acquisitions from Fiscal 2001. Should we adopt IFRS as our reporting basis in the future, we are not required to apply IFRS retroactively to past business combinations (i.e., business combinations that occurred before the date of transition to IFRS); the amount of goodwill deducted from equity in respect of acquisitions until Fiscal 2000 would not be recognized in the IFRS opening balance sheet.

Tangible fixed assets and leasing

Under IFRS there is greater emphasis on specific components of the tangible fixed assets. If an asset consists of components with different estimated useful lives, those components must be depreciated separately according to their useful lives. Under Dutch GAAP, we depreciate tangible fixed assets over the estimated useful life of the asset as a whole. Under IFRS, costs directly related to bringing the asset to the location and condition necessary for it to be capable of operating, need to be included in the cost price of the asset.

While IFRS and Dutch GAAP are similar in concept, certain differences exist with respect to the classification of leases as operational or capital leases. Some of our sale and leaseback transactions that qualify as operational leases under Dutch GAAP may qualify as financial leases under IFRS.

Inventories

Under Dutch GAAP we record our inventory using the retail-method, calculated at the average purchase price less a provision for obsolescence, deterioration and other risks of holding inventories. In general, our valuation method ensures that a margin impact due to markdown or obsolescence is reported in the period in which store merchandise is marked-down or deemed to be obsolete, rather than leaving the margin impact to occur when overdue or marked down merchandise is sold. Under IFRS the inventory should be measured at the lower of cost and net realizable value, which may lead to margin effects due to obsolescence or markdowns being recorded at the moment of sale and not in earlier periods. As a result, under IFRS, our provision for obsolescence, deterioration and other risks of holding inventories, and therefore our overall inventory valuation, could differ from our current valuation.

Under Dutch GAAP we do not allocate certain components of distribution and warehousing costs or certain purchase discounts to our inventory. Under IFRS, we may need to allocate more components of such distribution and warehousing costs to our inventory and take into account all purchase discounts in determining the cost of our inventory.

Debt issue costs

Under IFRS direct costs related to the issue of debt are included in (i.e., deducted from) the amount of the debt as presented on the balance sheet. Such costs are subsequently recognized as part of interest expense under the "amortized cost" method of accounting for the debt to which these costs relate. Under Dutch GAAP, we have capitalized debt issue costs as deferred financing costs, with amortization of these costs applied to interest expense over the maturity of the respective loans.

Provisions

Under IFRS, provisions must be stated at their present value where the effect of the time value of money is material. We state provisions at nominal value under Dutch GAAP. Under IFRS provisions for reorganization are only recognized if the reorganization is started or communicated before or on the balance sheet date. Under Dutch GAAP, such provision is permitted to be recognized if the reorganization is started or communicated before the date of the preparation of the annual report. We have recorded certain provisions, including provisions for maintenance, which would not be included under IFRS.

Employee benefits and pension liabilities

Under IFRS the recognition of a provision for pensions and the related pension expense depends on whether the plan is classified as a defined contribution plan or a defined benefit plan. In the case of a defined benefit plan, a company is, in substance, underwriting the actuarial and investment risks associated with the plan. IFRS requires that the actuarial value of defined benefit pension obligations (determined under the projected-unit-credit method) less the fair value of plan assets is included in a company's balance sheet. IFRS requires the related amount of pension expense to be determined using a specific allocation method, which may differ from amounts funded in the same year.

The main pension plans in existence at Vendex KBB would be classified as defined benefit plans under IFRS.

Under Dutch GAAP currently in effect, companies may opt for one of the two methods of accounting for pensions mentioned below. Vendex KBB and Victoria Acquisition III B.V. apply two different accounting policies; effective 2005, the accounting policies applied by Vendex KBB with respect to employment benefits will have to change to those applied by Victoria Acquisition III B.V.

Vendex KBB does not include the net amount of pension liabilities and assets for the main pension plan on the balance sheet; the amount of pension expense recognized in the profit and loss account generally equals the amount payable to these plans under the existing funding agreements. The net pension liabilities and pension expense recognized under IFRS could be materially different from the amounts included under Dutch GAAP as applied by Vendex KBB.

In accounting for employee benefits (including pensions), Victoria Acquisition III B.V. adopts the new Dutch Annual Reporting Guideline 271 which will become mandatory under Dutch GAAP from 2005 onwards but encourages earlier application. Accounting under this Guideline is substantially aligned with IFRS.

We are in the process of revising the terms of our main pension plan and related funding agreement in order to fix our overall pension contributions and thereby minimize the extent of our actuarial and investment risk in respect of pension obligations. The revised pension plan and funding agreement—if and when effected—may change the current IFRS classification of this plan from a defined benefit plan to a defined contribution plan, as described above.

Turnover and revenue recognition

Under IFRS (and Dutch GAAP as from January, 1 2003) we recognize revenue where we act as de facto agent (based on certain criteria) on a net basis, with only the net margin included in turnover. These changes are reflected for all material items in our annual results for Fiscal 2002 and 2003, as included in this offering memorandum. The annual results for Fiscal 2001 included in this offering memorandum have not been adjusted to reflect these changes.

Until Fiscal 2002, the IFRS and Dutch GAAP requirements for revenue recognition were not identical. In accordance with Dutch GAAP we have recognized certain sales and cost of sales on a gross basis, based on the gross amount collected from the customer and the gross amount payable for the products delivered by us. In accordance with changes in Dutch GAAP, we have changed our revenue recognition policies as of and for Fiscal 2003.

Financial instruments

Under IFRS (IAS 39) all derivatives must be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in the profit and loss account, or—under the cash flow hedge model—directly in equity, whether they are realized or not. Hedge accounting is allowed only if certain strict criteria are met in respect of, inter alia, the type of hedge transaction, designation and documentation of the hedge relationship and hedge effectiveness. Under the cash flow hedge model, gains and losses on derivative instruments directly reported in equity are usually reclassified into the profit and loss account in the periods in which the profit and loss account is affected by the hedged item. Under Dutch GAAP we do not separately include derivatives on the balance sheet and instead net these against the underlying hedged transactions as and when these occur.

IFRS requires that available-for-sale financial assets are carried at fair value, with changes in fair value included in equity until realization or earlier impairment. Under Dutch GAAP we state certain non-current financial assets at the lower of cost or expected realizable value.

Under Dutch GAAP, when determining whether financial instruments issued by a reporting entity represent debt or equity, the classification needs to be determined in accordance with the substance of the contractual arrangements and definitions of a liability and an equity instrument, rather than the mere legal form of arrangements.

Under IFRS, financial instruments that contain an option for a cash settlement (whether at the issuer's or the holder's discretion), should, in principle, be classified as a liability.

Share based compensation

Under Dutch GAAP, to the extent that the ultimate cost of share based compensation is (directly or indirectly) borne by a reporting entity or its underlying group companies, the cost of such compensation at grant date should only be recognized in the income statement to the extent that instrument has an intrinsic value. There is no subsequent remeasurement of the compensation cost.

IFRS requires the recognition of all share-based payments in the financial statements irrespective of whether the cost is ultimately borne by the reporting entity. All such transactions must be measured at their fair values and recognized at grant date, with true-ups of costs for forfeitures due to non-market conditions and service conditions. If the arrangement gives one party the possibility for a cash settlement, the fair value at grant date should be recognized as a liability, with remeasurement of the liability through the income statement. The aforementioned description is based on IFRS 2 which becomes effective as from 2005, but encourages earlier application.

Presentation

Extraordinary income and expenses

Until Fiscal 2002, the Dutch GAAP definition of extraordinary items was less strict than the IFRS definition. Under IFRS and Dutch GAAP as from Fiscal 2003, presenting items as an extraordinary item is limited to very rare events, such as expropriation of assets and natural disasters, while Dutch GAAP has allowed a wider interpretation historically. Under Dutch GAAP, we recorded an extraordinary charge in Fiscal 2001 that would not have been presented as extraordinary expenses under IFRS.

Statement of changes in equity

IFRS requires a statement of changes in equity to be included as one of the primary financial statements. Under Dutch GAAP, we present the changes in the various components of equity in the notes to our consolidated financial statements.

Deferred tax assets

Under Dutch GAAP, we classify deferred tax assets under current assets. IFRS would require classification of deferred tax assets under non-current assets.

Presentation in the cash flow statement

IFRS contains stricter requirements requiring classification of cash flows by operating, investing and financing activities. We present cash flow from operating activities exclusive of cash flow from discontinued activities, which are included under cash flows from investing activities.

Consolidation and investments held for sale

Under Dutch GAAP, investments in subsidiaries are generally consolidated until the date of sale.

Under IFRS, the assets and liabilities related to investments held for sale (a disposal group) are to be presented separately in the balance sheet. The aforementioned description is based on IFRS 2 which becomes effective as from 2005 but encourages earlier application.

Disclosure

Under IFRS, various additional financial statement disclosures would be required as compared to those currently made under Dutch GAAP.

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INDEX TO FINANCIAL STATEMENTS

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The financial data for the years as of and for Fiscal 2003, Fiscal 2002 and Fiscal 2001, as set forth on pages F-4 to F-49, comprise the information as included in the financial statements of Koninklijke Vendex KBB N.V. for the years ended January 31, 2004 and January 31, 2003 (including comparative financial data for the year ended January 31, 2002). These financial statements have been audited by KPMG Accountants N.V. On the aforementioned financial statements, KPMG Accountants N.V. have expressed unqualified auditors' reports on April 5, 2004 and April 7, 2003 respectively, as follows:

"Auditor's report

Introduction

We have audited the 2003/04 financial statements of Royal Vendex KBB N.V., Amsterdam. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the company's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at January 31, 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Amsterdam, April 5, 2004

KPMG Accountants N.V."

“Auditors’ report

Introduction

We have audited the 2002/03 financial statements of Royal Vendex KBB N.V., Amsterdam. These financial statements are the responsibility of the company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the company’ s management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of the company as at January 31, 2003 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Netherlands Civil Code.

Amsterdam, April 7, 2003

KPMG Accountants N.V.”

KONINKLIJKE VENDEX KBB N.V.

CONSOLIDATED BALANCE SHEET

for the financial year February 1, to January 31 before profit appropriation

	Notes	2003/04	2002/03[1]	2001/02[1]
		(EUR million)		
Fixed assets				
Intangible fixed assets	1	251	187	20
Tangible fixed assets	2	1,129	1,088	1,135
Financial fixed assets	3	51	55	53
		1,431	1,330	1,208
Current assets				
Inventories	4	632	592	708
Debtors	5	286	274	241
Cash		61	42	67
		979	908	1,016
Current liabilities				
Short-term liabilities	6	(613)	(579)	(550)
Short-term loans	7	(16)	(271)	(318)
		(629)	(850)	(868)
Current assets less current liabilities		350	58	148
Capital employed		1,781	1,388	1,356
Financed by:				
Long-term liabilities	8			
Subordinated loan		—	—	250
Long-term loans		887	460	327
		887	460	577
Provisions	9	378	381	383
Group equity		516	547	396
		1,781	1,388	1,356

(1) Classification adjusted for comparison purposes. For the financial year 2001/02, software has not been reclassified from tangible fixed assets to intangible fixed assets.

KONINKLIJKE VENDEX KBB N.V.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the financial year February 1, to January 31

	Notes	2003/04	2002/03 (1)(2)	2002/03 (1)	2001/02 (1)
			(EUR million)		
Net turnover		4,451	4,687	4,717	4,958
Continued activities		*4,451*	*4,327*	*4,357*	*4,018*
Discontinued activities		—	*360*	*360*	*940*
Cost of sales		(2,844)	(3,013)	(3,065)	(3,199)
Gross operating result		1,607	1,674	1,652	1,759
Selling and distribution costs		(1,287)	(1,245)	(1,240)	(1,395)
General administrative expenses		(259)	(129)	(130)	(293)
Other operating income		0	4	22	30
Operating result	11	61	304	304	101
Continued activities		*64*	*142*	*142*	*220*
Discontinued activities		*(3)*	*162*	*162*	*(119)*
Financial income and expenses	14	(49)	(49)	(49)	(51)
Changes in the value of and income from receivables forming part of fixed assets and in the value of and income from securities	15	0	(16)	(16)	6
Result on ordinary activities before tax		12	239	239	56
Taxation	16	(4)	(35)	(35)	5
Continued activities		*(10)*	*(30)*	*(30)*	*(65)*
Discontinued activities		*6*	*(5)*	*(5)*	*70*
Results of participating interests		1	(2)	(2)	0
Result on ordinary activities after tax		9	202	202	61
Extraordinary expenses after tax	16a	—	—	—	(48)
Net result	17	9	202	202	13
Net Result per ordinary share (in euro)		0.10	2.23	2.23	0.13
Diluted net result per ordinary share (in euro)		0.10	2.23	2.23	0.13

(1) The split between continued activities and discontinued activities has—in all cases—been restated to reflect the discontinued activities as of the financial year 2003/04.

(2) Classification regarding revenue recognition as of February 1, 2003 (RJ 270) adjusted for comparison purposes for the continued activities.

KONINKLIJKE VENDEX KBB N.V.
CONSOLIDATED CASH FLOW STATEMENT
for the financial year February 1, to January 31

	2003/04	2002/03(1)	2001/02(1)
		(EUR million)	
Operating result	61	304	101
Of which attributable to investing activities:			
Result on discontinued activities	(3)	162	(119)
Operating result on continued activities	64	142	220
Amortisation, depreciation and impairments	174	147	120
Movements in:			
Inventories	(15)	46	4
Debtors	17	(13)	2
Short-term liabilities*	(22)	18	(24)
Movements in operating provisions	25	(20)	(7)
Other operating activity movements	(1)	0	(51)
Cash flow from operations (continued activities)	242	320	264
Financial income and expenses	(49)	(53)	(52)
Taxation	(19)	(23)	(1)
Cash flow from operating activities	174	244	211
Net investments in intangible fixed assets and tangible fixed assets	(193)	(173)	(176)
Net investments in group companies	(81)	(150)	(8)
Net disposals of group companies	(6)	312	27
Net investments in and disposals of participating interests	7	(8)	8
Increase in amounts receivable	(1)	(9)	0
Movements in other securities	(1)	(3)	(5)
Cash flow from investing activities	(275)	(31)	(154)
Movements in long-term liabilities, including current component	171	(150)	(23)
Dividend paid	(38)	(35)	(37)
Repurchase of own shares	(1)	(19)	(48)
Cash flow from financing activities	132	(204)	(108)
Net cash flow	31	9	(51)
Net cash as at February 1	30	21	72
Net cash flow	31	9	(51)
Net cash as at January 31	61	30	21
Consisting of:			
Cash	61	42	67
Short-term loans from lending institutions**	0	(12)	(46)
Net cash as at January 31	61	30	21

* Excluding short-term loans from credit-institutions

** Excluding component of the long-term loans payable within one year, amounting to EUR 16 million (EUR 259 million) (EUR 272 million)

(1) The split between continued activities and discontinued activities has—in all cases—been restated to reflect the discontinued activities as of the financial year 2003/04.

KONINKLIJKE VENDEX KBB N.V.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

General

The amounts stated in these notes pertain to the consolidated figures and are given in millions of euro. The notes to the Company balance sheet and profit and loss account are limited to items that differ from the corresponding items in the consolidated balance sheet and that are of material significance. The Company profit and loss account has been prepared in accordance with the provisions of Section 2:402 of the Netherlands Civil Code.

Changes in the principles for recording and presenting turnover

Net turnover

In accordance with a change to the Dutch guidelines for income recognition (RJ 270 profit and loss account), the principles for recognizing and presenting turnover have been changed as of February 1, 2003.

Guideline 270 sets out detailed criteria in relation to the definition of income and when turnover is to be recognized.

The table below shows the effect of the change per year on the net turnover per business unit:

	Financial year 2003/2004			Financial year 2002/2003		
Net turnover	As per new definition	As per former definition	Effect	As per new definition	As per former definition	Effect
			(EUR million)			
HEMA	918	939	(2%)	911	933	(2%)
V&D	812	816	0%	855	856	0%
Bijenkorf	399	425	(6%)	389	420	(7%)
DIY	1,220	1,225	0%	1,063	1,066	0%
Fashion	457	455	0%	456	455	0%
Consumer Electronics	603	585	3%	615	589	4%
Other activities	42	42	0%	38	38	0%
Total	4,451	4,487	(1%)	4,327	4,357	(1%)

The main reasons for the differences between the net turnover as per the former definition and as per the new definition are as follows:

— At HEMA, the point-of-sale turnover of the franchisees' photo service and restaurant activities were formerly presented as turnover, whereas under the new guideline only supplies to franchisees may be presented as net turnover (effect -EUR 19 million);

— Sales by concession holders at Bijenkorf were formerly presented as turnover, whereas under the new guideline only the fee may be presented as net turnover (effect -EUR 25 million);

— At Consumer Electronics, turnover generated by sales of services such as service certificates and extended guarantee insurance were formerly presented as other income, whereas the new guideline states that these should be presented as turnover (effect +EUR 12 million)

The differences pertain almost exclusively to the presentation. There are no implications for the result or the opening equity.

The comparative figures have been adjusted accordingly.

Consolidation principles

The consolidated financial statements include the financial information of Royal Vendex KBB N.V. ("Vendex KBB") and its group companies; group companies are participating interests in which Vendex KBB directly or indirectly has a controlling interest, or participating interests for which Vendex KBB runs the majority of the economic risks or is entitled to the greater share of the economic gains. Vendex KBB holds, either directly or indirectly, a 100% interest in the following activities (which are the most important ones for the group):

- HEMA
- V&D
- Bijenkorf
- DIY
  - Praxis
  - Brico
  - Formido
  - Keur Group
- Fashion
  - Claudia Sträter
  - Hunkemöller
  - M&S
- Consumer Electronics
  - Dixons
  - Dynabyte
  - It's
  - Modern Electronics
  - Prijstopper
- Other activities
  - Schaap & Citroen
  - AudioSonic
  - IT Services
  - CFS (Cards & Financial Services)

A detailed list of the group companies included in the consolidation can be found at the Chamber of Commerce.

The results on transactions between consolidated companies are eliminated. Participating interests cease to be considered group companies from the moment when Vendex KBB no longer exercises decision-making control.

The results of group companies acquired or sold are included in the consolidated profit and loss account to the extent that they are achieved in the period during which the companies concerned are group companies. The results of disposals are included in the consolidated profit and loss account in the operating result on discontinued activities.

Vendex KBB has filed a statement of joint and several liability, within the meaning of Section 2:403 of the Netherlands Civil Code, for almost all its Dutch group companies. Those companies invoke their right to exemption from filing financial statements in accordance with the aforementioned Section of the Civil Code.

Acquisitions and disposals

At the end of June 2003, the group acquired a 100% interest in the Belgian activities of the French do-it-yourself group Leroy Merlin for EUR 65 million, including goodwill of EUR 51 million. The activities comprise six DIY-stores with garden centers. The figures for these acquired activities are consolidated as from 1 July 2003. The name will be changed into Brico Plan-it. In addition, Praxis took over a number of franchisees during the financial year.

At the end of March 2002, agreement was reached with the Belgian company GIB on the takeover of the DIY group Brico Belgium NV, with 97 outlets in Belgium (including 56 franchise stores) as well as companies operating DIY chains in France, Spain and Portugal. The transaction was cleared by the European Commission in mid-June 2002. In connection with this takeover, Vendex KBB reached an agreement to sell its shares in the French, Spanish and Portuguese Brico companies to the French company Leroy Merlin, contingent upon clearance from the competent competition authorities. Vendex KBB received the purchase price for the shares of the French, Spanish and Portuguese companies from Leroy Merlin in advance, these funds being used to pay part of the price payable to GIB. As collateral for the performance of its obligations vis-à-vis Leroy Merlin, Vendex KBB pledged 75% of the shares of Brico Belgium NV to Leroy Merlin. In February 2003, the French and Portuguese competition authorities cleared the transfer of the shares of the French and Portuguese Brico companies and the transfer to Leroy Merlin was completed. In the second half of 2003, the Spanish competition authorities cleared the transfer of the shares of the Spanish Brico companies and the transfer to Leroy Merlin was completed.

The sale of six group companies was completed on July 31, 2002, in the transaction under which the Hans Anders opticians group of companies, Siebel the jewellers, Kijkshop, Perry Sport, Prénatal and Scapino were transferred to the investment company CVC. (Retail Network Company). In addition, part of Vendex KBB IT Services was disposed of in November 2002 to PinkRoccade and America Today was sold in December 2002 in a management buyout.

Principles for valuation and determination of results

General

The principles for the valuation of assets and liabilities and for the determination of results are based on historical cost, unless stated otherwise. Unless otherwise indicated, assets and liabilities are stated at face value.

Use of estimates

In preparing the consolidated financial statements, estimates and assumptions are made by management which could affect the reported amounts as at balance sheet date and the income and expenses during the period. Actual results may differ from these estimates.

Foreign currencies

Assets and liabilities in foreign currencies are translated at the exchange rate as at the balance sheet date. The resulting exchange differences are taken to the profit and loss account, except for translation differences on net investments in participating interests abroad, which are presented in the shareholders' equity, net of any taxation. The results from the participating interests abroad are included at the average exchange rates. Exchange rate differences on securities listed on the stock exchange are treated in the same way as changes in the value of those securities. Exchange rate differences stemming from commodities transactions are presented as Cost of sales, and any remaining exchange rate differences are presented as Financial income and expenses.

Intangible fixed assets

Any goodwill included in the acquisition of participating interests is carried at cost, and is amortised on a straight-line basis over the estimated economic life, up to a maximum of 20 years. Capitalized lease rights are amortised over the term of the lease contracts or over the period of security of tenure as stipulated by the applicable legal system, also up to a maximum of 20 years. As from 2002/03, software purchased and the related implementing costs and licences are classified as intangible fixed assets. Software and licences are amortised over three or five years.

Effective as of February 1, 2001 goodwill paid on acquisition of participating interests is presented under intangible fixed assets. This complies with the amended Guidelines for Annual Reporting in The Netherlands. This change does not materially affect results over the fiscal year 2001/02 or group equity as of January 31, 2002. Goodwill paid was formerly charged directly to shareholders' equity.

Tangible fixed assets

Tangible fixed assets are carried at cost. Assets that have been brought into use are depreciated on a straight-line basis over the estimated economic life per category of fixed assets or parts thereof, with the following maximum terms:

- Buildings . . . . 30 years (100 years for foundations)
- Technical installations . . . . 10 years
- Equipment and shop fittings . . . . 8 years
- Computer hardware and cash register systems . 5 years

Fixed assets with a temporary right of use are depreciated over the terms of those rights. Land is not depreciated. The lump-sum payments for land leases included in this item are depreciated on a linear basis over the period for which the land lease has been bought off.

The original acquisition price of fixed assets to which the group holds the beneficiary title pursuant to a financial lease agreement are taken as being the net present value of the lease instalments over the entire lease period.

Costs of major repairs are charged directly against the result.

Financial fixed assets

The non-consolidated participating interests over whose commercial and financial policies the Company exercises significant control are valued at the proportional share in the net asset value, according to Vendex KBB's principles for valuation and determination of results.

Participating interests over whose commercial and financial policies no significant control is exercised and the other non-listed securities are carried at the lower of cost and the expected realisable value. A detailed list of non-consolidated participating interests can be found at the Chamber of Commerce.

Receivables from non-consolidated participating interests and other receivables are stated at nominal value less a provision for doubtful debts where appropriate.

Impairment of fixed assets

The book value of fixed assets is assessed for impairments whenever events or changes in circumstances give cause to do so. For the purposes of such assessments, the assets are divided into groups based on separately identifiable and largely independent cash flows. The assessments are made at store level. In the event of impairment, the book value of the assets is written down to their realisable value.

Inventories

Inventories are included at average purchase price, minus a provision for obsolescence, deterioration and other risks of holding inventories.

Debtors

Debtors are shown at nominal value minus a provision for doubtful debts where appropriate.

Provisions

The provision for deferred taxation represents future tax liabilities due to temporary differences between the book values of assets and liabilities for reporting purposes and for tax purposes, calculated at the standard rate.

Self-administered pension commitments are valued in accordance with actuarial principles, using an interest rate of 4%. Commitments stemming from guaranteed income schemes for participants in early retirement schemes are valued in accordance with actuarial principles, using an interest rate of 4%.

Provisions for redundancy schemes and staff who have taken early retirement are valued at the nominal amounts. Provisions for disability benefits for employees are based on the nominal value of the expected payment commitments in connection with the actual disability of the present and former employees.

Long-term liabilities

Liabilities are carried at the nominal value. The net present value of future lease installments in connection with loans and financial lease agreements is also included. Repayment commitments on long-term liabilities that are payable within one year are included under short-term loans.

Profit and loss account

Net turnover comprises the sales value of the sold goods and services at the moment of delivery, net of VAT and sales discounts. For the Company's own stores, this figure is based on the delivery to consumers, for franchisees on the delivery of goods to franchisees on the account and risk of the group, as well as the franchise fees. For concession holders the figure is the concessionary fee.

The *cost of sales* comprises that part of the value of the goods sold that is absorbed by costs, including the costs attributed to the purchasing organisation and the transport and warehousing activity.

Selling and distribution costs are the costs that are attributable to the sales activities, such as the costs of the stores, including the results on disposals of such establishments and the results from redevelopment projects. The results from redevelopment projects are presented on a percentage-of-completion basis according to the Company's share in the project.

The *general administrative expenses* are the costs of general management of the group companies, the costs of group management and all costs that do not qualify as either cost of sales or selling and distribution costs.

Other operating income pertains mainly to income from operating activities that does not constitute turnover.

Financial income and expenses covers all interest income and expenses attributable to the reporting year on a time-proportionate basis. This item also includes the exchange rate differences that do not pertain to participating interests or commodities transactions, and the gains and losses on hedging operations involving financial derivatives. Financial income and expenses also includes the refinancing costs that are attributable to the reporting year.

Changes in the value of and income from receivables forming part of fixed assets and in the value of and income from securities. On disposal of non-consolidated participating interests or non-listed securities, the difference between the sales proceeds and the book value is presented as income, as also is any realised revaluation of listed securities. This item also covers changes in the value of financial fixed assets, with the exception of other securities, as well as dividends received from other securities, after deduction of non-recoverable withholding tax.

The calculation of the *taxation* takes into account permanent differences between the result for reporting purposes and the result for tax purposes. Claims for tax relief are taken into account insofar as it is reasonable to assume that recovery or realisation will be possible.

Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies are restated into euro at the average exchange rates for the relevant periods. Cash flows generated by discontinued activities are presented as part of the cash flow from investing activities.

Segmentation

The basis for the primary segmentation is the division into six business units within Vendex KBB: HEMA, V&D, Bijenkorf, DIY, Fashion and Consumer Electronics. Property, other activities/holding and discontinued activities also form distinct segments. The division into segments matches the organisation of the core activities and responsibilities within Vendex KBB. One of the features of this structure is that the group constituents have a high degree of independence.

The principles for valuation and determination of results for the segments are identical to the principles used to prepare and present the financial statements.

The operating capital of the business units consists of the total of the assets minus short-term liabilities and operating provisions. The operating capital of the six business units does not include any interest-bearing receivables or liabilities from other segments, corporation tax receivables or liabilities (whether or not deferred), or any bank account credit. The corporation tax receivables or liabilities and financing are reflected in the "other activities/holding" segment.

The secondary segmentation is based on a division in geographic locations and is included as of 2002/03.

Comparative figures

Where necessary, the classification has been adjusted to allow comparisons.

Fixed assets

(1) Intangible fixed assets

	Total	Goodwill	Capitalised Tenancy Rights	Software and Licenses
		(EUR million)		
Balance as at February 1, 2002				
Historical cost	32	4	28	*
Amortisation	(12)	0	(12)	*
Book value	20	4	16	*
Changes in book value				
Investments	9	0	9	*
Disposals	0	0	0	*
Net Investments	9	0	9	*
Amortisation	(9)	(7)	(2)	*
Acquisitions and disposals	152	152	—	*
Reclassification*	15	—	—	15
Total from changes	167	145	7	15
Balance as at January 31, 2003				
Historical cost	229*	156	37	36*
Amortisation	(42)*	(7)	(14)	(21)*
Book value	187*	149	23	15*
Changes in book value				
Investments	26	0	8	18
Disposals	(1)	—	0	(1)
Net Investments	25	0	8	17
Amortisation	(22)	(14)	(2)	(6)
Acquisitions and disposals	61	61	0	—
Total from changes	64	47	6	11
Balance as at January 31, 2004				
Historical cost	313	217	44	52
Amortisation	(62)	(21)	(15)	(26)
Book value	251	196	29	26

* In 2003/04 a reclassification took place. In 2002/03, licences and software were grouped under tangible fixed assets; since 2003/04, they are classified as intangible fixed assets.

The majority of the goodwill as well as the capitalised tenancy rights pertaining to French stores with a book value of EUR 22 million (EUR 18 million) are amortised over 20 years.

(2) Tangible fixed assets

	Total	Land and buildings	Other fixed assets	In progress and Prepayments
		(EUR million)		
Balance as at February, 1 2002				
Historical cost	2,171	972	1,152	47
Depreciation	(1,036)	(388)	(648)	—
Book value	1,135	584	504	47
Changes in the book value				
Investments	205	48	139	18
Disposals	(17)	(12)	(5)	0
Net Investments	188	36	134	18
Depreciation	(149)	(34)	(115)	0
Acquisitions and disposals	(71)	(22)	(48)	(1)
Reclassification*	(15)	—	(15)	—
Total from changes	(47)	(20)	(44)	17
Balance as at January 31, 2003				
Historical cost	2,065*	924	1,077*	64
Depreciation	(977)*	(360)	(617)*	0
Book value	1,088*	564	460*	64
Changes in the book value				
Investments	197	52	160	(15)
Disposals	(32)	(18)	(14)	0
Net Investments	165	34	146	(15)
Depreciation	(144)	(33)	(111)	0
Impairments	(8)	(2)	(6)	—
Acquisitions and disposals	28	25	3	0
Total from changes	41	24	32	(15)
Balance as at January 31, 2004				
Historical cost	2,209	954	1,206	49
Depreciation	(1,080)	(366)	(714)	0
Book value	1,129	588	492	49

* A reclassification took place. In 2002/03, licences and software were classified under tangible fixed assets as part of the Other fixed assets; since 2003/04, they are classified as Intangible fixed assets. The book value is EUR 26 million (EUR 15 million).

In 2003/04, an additional amount of EUR 8 million was written down because of impairments.

(2) Tangible fixed assets (Continued)

The market value of the group's own property portfolio, based on the present rent levels, totals approximately EUR 772 million (EUR 770 million), which should be compared with the book value of the property segment of EUR 510 million (EUR 502 million). Of this amount, EUR 49 million pertains to investments in rented premises.

(3) Financial fixed assets

	Total	Participating interests	Amounts receivable from interests	Other securities	Other amounts receivable
			(EUR million)		
Balance as at January 31, 2002	53	14	29	10	—
Balance as at February 1, 2003	55	13	1	14	27
Acquisitions/investments	1	1	—	—	—
Disposals/repayments	(4)	(3)	(1)	—	0
Dividend	(1)	(1)	—	—	—
Other changes	0	0	—	1	(1)
Balance as at January 31, 2004	51	10	0	15	26

The participating interests include the interests in Betafin, Alant Medical and Vision Clinics. As per January 31, 2003 the participating interests also include the Brico interests in France, Spain and Portugal. These interests have been stated at the selling price less the amount paid in advance by Leroy Merlin (leaving a net figure of 0). The amounts receivable from these international companies have also been netted off with the advance payment.

The 2002/03 decrease in the amounts receivable from participating interests relates to an exceptional diminution in value of the group's interests in several Brazilian shopping centers. The other amounts receivable include a long-term loan to Retail Network Company of EUR 11 million (EUR 10 million), as well as the remaining receivable of EUR 14 million (EUR 17 million) in connection with the settlement of the interests in Brazilian shopping centers.

Current assets

(4) Inventories

The inventories consist almost exclusively of trade inventories. The provision for obsolete inventories is EUR 32 million (EUR 29 million). The increase in inventories stems mainly from the acquisition of the Belgian activities of Leroy Merlin.

(5) Debtors

	2003/04	2002/03	2001/02
		(EUR million)	
Trade debtors	85	96	97
Corporation tax	90	72	47
Other amounts receivable	51	55	45
Prepayments and accrued income	60	51	52
	286	274	241

An amount of EUR 7 million (EUR 9 million) (EUR 7 million) has been deducted from the trade debtors as a provision for doubtful debts. The corporation tax includes deferred tax receivables of EUR 73 million (EUR 58 million) (EUR 47 million). Of this amount, it is expected that EUR 33 million (EUR 44 million) (EUR 44 million) will be realised within twelve months and the remainder within five years.

The available tax losses carried forward in Germany have not been capitalised, in view of the uncertainty of its realisation.

Current liabilities

(6) Short-term liabilities

	2003/04	2002/03	2001/02
		(EUR million)	
Trade creditors	275	243	202
Other taxes and social security contributions	53	68	83
Other liabilities	81	55	65
Accruals and deferred income	204	213	200
	613	579	550

(7) Short-term loans

	2003/04	2002/03	2001/02
		(EUR million)	
Credit institutions	—	12	46
Repayment of long-term liabilities	16	259	272
	16	271	318

(8) Long-term loans

Financial statements 2003/04

	Average effective interest rate	Repayment commitments			Total	2002/03
		< 1 year	1–5 years	> 5 years		
	(%)		(EUR million)			
Subordinated loan	—	—	—	—	—	150
Bank loan	4.6	—	407	—	407	517
Mortgage loan	5.7	8	30	212	250	—
Senior subordinated notes	7.4	—	—	200	200	—
Gold and silver loans	—	—	—	—	—	2
Other loans	5.8	3	10	0	13	18*
Lease commitments	10.9	5	15	13	33	32*
		16	462	425	903	719
Of which due in current period					*16*	*259*
Loans longer than 1 year					887	460

* The comparing figures for 2002/03 have been adjusted to allow comparison; debts in an amount of EUR 9 million have been reclassified from other loans to lease commitments.

The bank loan is a revolving credit facility from a syndicate of banks, which can be drawn and repaid as and when necessary. The facility amount is EUR 550 million. The outstanding amount under the facility must be repaid no later than November 27, 2006. The interest rate is floating, depending on the interest period selected by the Company, plus a margin. The margin varies between 0.85% and 2.10%, depending on the ratio of net interest-bearing debt to operating result from continued activities before amortisation and depreciation. Payment of principal and interest is guaranteed by twenty Dutch subsidiaries. Various events constitute a default, amongst others if Vendex KBB does not comply with a debt ratio and/or an interest-coverage ratio:

- Debt ratio: at the end of every quarter, the ratio of net interest-bearing debt to operating result from continued activities before amortisation and depreciation and before extraordinary items for the last four quarters must be no more than 3 (in the third quarter of each year this ratio must be no more than 3.4);
- Interest-coverage ratio: at the end of each quarter, the ratio of operating result before amortisation and depreciation and before extraordinary items for the last four quarters to total net interest must be no less than 4.

The mortgage loan is a credit facility with a fixed principal amount of EUR 250 million, with annual repayments. Every year, an amount of EUR 7.5 million is to be repaid on this loan, with the remainder of the principal falling due on November 28, 2010. The interest rate is floating, based on 3-monthly EURIBOR plus a fixed margin. Approximately half the value of the property owned by the Company has been encumbered in favour of this facility. This concerns HEMA, V&D and Bijenkorf

(8) Long-term loans (Continued)

premises. Various events constitute a default, amongst others if Vendex KBB does not comply with a debt ratio and/or an interest-coverage ratio:

- Debt ratio: at the end of every quarter, the ratio of net interest-bearing debt to operating result from continued activities before amortisation and depreciation and before extraordinary items for the last four quarters must be no more than 3.5;
- Interest-coverage ratio: at the end of each quarter, the ratio of operating result from continued activities before amortisation and depreciation and before extraordinary items for the last four quarters to total net interest charge must be no less than 3.5.

Vendex KBB must also ensure that the outstanding principal of the mortgage loan is no more than 70% of the market value of the property that is encumbered.

Senior subordinated notes are issued up to a total principal amount of EUR 200 million. The interest rate on the senior subordinated notes has been fixed for the entire maturity of the loan at 7.375%. The notes must be repaid in full no later than November 15, 2010. Payment of interest and principal is guaranteed on a senior subordinated basis by twenty Dutch subsidiaries. The market value of the senior subordinated notes is EUR 214 million.

As at the balance sheet date, Vendex KBB complies with all the aforementioned ratios.

In connection with the financing agreements, Vendex KBB and its group companies have undertaken not to create any security interests on their assets without prior written approval. This undertaking is subject to a number of exceptions.

In determining the average effective interest rate, the effects of Interest Rate Swaps have been incorporated. As at the balance sheet date, Interest Rate Swaps in the sum of EUR 477 million (EUR 658 million) were outstanding. Of this amount, EUR 182 million (EUR 477 million) mature in one to five years, while the remainder matures within one year. The market values of these hedging instruments are not recognized in the balance sheet.

As at the balance sheet date, Vendex KBB had almost EUR 150 million of unused committed credit lines at its disposal.

The costs related to the loan package, totaling EUR 17 million, have been capitalized and will be amortised over the maturity of the respective loans. The result for the present financial year includes an amortisation charge of EUR 1 million for these costs.

(8) Long-term loans (Continued)

Financial statements 2002/03

	Average effective interest rate	Repayment commitments			Total	2001/02
		< 1 year	1–5 years	> 5 years		
	(%)		(EUR million)			
Subordinated loan	5.3	150	0	0	150	250
Syndicated loan	4.9	102	415	0	517	373
Bridging facilities	—	—	—	—	—	153
Gold and silver loans	2.0	2	0	0	2	13
Other loans	6.0	4	8	15	27	37
Lease commitments	12.9	1	15	7	23	23
		259	438	22	719	849
Of which due in current period					*259*	*272*
Loans longer than 1 year					460	577

The subordinated loan relates to a credit facility from a syndicate of lending institutions. The principal repayable under this loan is subordinated to all liabilities of Vendex KBB. The loan has to be repaid no later than January 22, 2004. The interest payable is variable, depending on the interest period of three or six months opted for by the company, and is based on the relevant interbank interest rate plus a mark-up. The loan becomes callable immediately if the ratio of the operating result before depreciation and amortisation to the total interest charge falls below 3.

Of the amount of the syndicated loan maturing after more than one year, EUR 230 million falls due at the end of February 2004. An amount of EUR 185 million of the syndicated loan is subject to the condition that the ratio of the net interest-bearing debt to the operating result before depreciation and amortisation does not exceed 3.

As at balance sheet Vendex KBB satisfied these ratios.

In determining the average effective interest rate, the effects of using interest rate swaps have been taken into account. As at balance sheet date, EUR 658 million (EUR 726 million) was outstanding in the form of interest rate swaps. Of these amounts, EUR 477 million (EUR 658 million) had a remaining term of one to five years and the remaining contracts matured within one year. These hedging instruments have not been recognised in the balance sheet.

In connection with amounts owed to lending institutions, Vendex KBB and its major group companies have undertaken not to encumber their assets with any collateral rights without prior written authorisation from the lending institutions.

As at balance sheet date Vendex KBB had unutilised credit lines in excess of EUR 330 million.

(9) Provisions

	Total	Deferred taxation	Pensions and severance	Reorganisation and mergers	Disability benefits	Other
			(EUR million)			
Balance as at 1 February 2002	383	138	59	37	51	98
Added	75	4	11	22	20	18
Utilised	(64)	—	(19)	(7)	(12)	(26)
Released	(22)	—	(1)	(1)	(13)	(7)
Exchange rate differences	(3)	—	—	(3)	—	—
Acquisitions and disposals	12	(1)	9	(8)	(5)	17
Balance as at 31 January 2003	381	141	59	40	41	100
Reclassification*	—	—	(2)*	—	—	2*
Added	149	2	8	93	15	31
Utilised	(122)	(8)	(13)	(54)	(11)	(36)
Released	(28)	(3)	(2)	(4)	(10)	(9)
Exchange rate differences	(2)	—	—	(2)	—	—
Acquisitions and disposals	0	0	—	—	—	0
Balance as at 31 January 2004	378	132	50	73	35	88
Of which long-term	*306*	*132*	*44*	*19*	*28*	*83*

* Adjusted for comparison purposes. In 2003/04 the provision for early retirement of staff, totaling EUR 3 million, is included under the other provisions. In the previous year, this provision—totaling EUR 2 million—was included in the "pensions and severance" provision. The provision for deferred taxation mostly concerns differences between the valuations of tangible fixed assets for commercial purposes and for tax purposes, particularly with regard to the property.

The provision for supplementary pension and severance commitments comprises EUR 35 million (EUR 34 million) (EUR 34 million) for self-administered pension commitments, most of which have already started paying out, and EUR 15 million (EUR 23 million) (EUR 25 million) for severance commitments in connection with redundancy schemes.

The other provisions include provisions for non-market rents EUR 10 million (EUR 12 million) (EUR 13 million), environmental risks EUR 2 million (EUR 7 million) (EUR 7 million) and various other risks. This item also includes commitments under loyalty programmes amounting to EUR 19 million (EUR 18 million) (EUR 16 million), the commitments stemming from extended guarantee insurance amounting to EUR 13 million (EUR 11 million) (EUR 11 million), guarantees amounting to EUR 6 million (EUR 5 million) and the settlement of FAO amounting to EUR 7 million (EUR 10 million).

(10) Commitments not included in the balance sheet

The group companies have commitments under repurchase statements and guarantees, totaling EUR 40 million (EUR 42 million) (EUR 63 million), which are not included in the balance sheet.

(10) Commitments not included in the balance sheet (Continued)

These pertain mainly to franchisees and affiliated companies. In addition, Vendex KBB has issued guarantees in the sum of EUR 88 million (EUR 44 million) (EUR 88 million) for subsidiaries.

The group companies have entered into long-term rental and lease contracts for business premises and other fixed assets. As at January 31, 2004, the net present value of the future commitments, based on 5% (5%) (5%) standard rate of interest, was EUR 1,379 million (EUR 1,455 million) (EUR 1,325 million). Of this amount, EUR 250 million (EUR 260 million) (EUR 275 million) are payable within 1 year, EUR 686 million (EUR 710 million) (EUR 675 million) between 1 and 5 years and EUR 443 million (EUR 485 million) (EUR 375 million) after 5 years.

Contingent liabilities

A lawsuit is pending relating to the merger between Vendex N.V. and N.V. Royal Bijenkorf Beheer which was formalised on July 16, 1999. The suit claims annulment of the merger or alternatively a judgement awarding damages. In an interim judgement, the court ruled that expert advice be sought. The Company has instituted appeal proceedings against this judgement. The Company does not consider it necessary to form a provision in respect of this lawsuit.

(11) Notes to exceptional items in the consolidated profit and loss account (financial statements 2003/04)

The consolidated profit and loss account includes the following exceptional items:

	2003/04	Exceptional items	Before exceptional items	2002/03	Exceptional items	Before exceptional items
			(EUR million)			
Net turnover	4,451	—	4,451	4,687	—	4,687
Cost of sales	(2,844)	(9)	(2,835)	(3,013)	(25)	(2,988)
Gross operating result	1,607	(9)	1,616	1,674	(25)	1,699
Selling and distribution costs	(1,287)	(69)	(1,218)	(1,245)	(7)	(1,238)
General administrative costs	(259)	(12)	(247)	(129)	121	(250)
Other operating income	0	—	0	4	—	4
Operating result	61	(90)	151	304	89	215
Exceptional items						
Reorganisation of V&D		(80)			(48)	
Termination costs of group pension contract		(13)			—	
Release of provisions		11			—	
Impairment stores		(8)			—	
One-off result of Electronics (mainly termination of telephony contract)		—			7	
Reorganisation of Vendex KBB IT Services		—			(15)	
Book result on sale of operating companies and other result from discontinued activities		—			145	
Total exceptional items		(90)			89	

Segmentation (financial statements 2003/04)

	HEMA		V&D		Bijenkorf		DIY[2]		Fashion	
	2003/04	2002/03*	2003/04	2002/03*	2003/04	2002/03*	2003/04	2002/03*	2003/04	2002/03*
	(EUR million except otherwise stated)									
Segmented information										
Intangible fixed assets	10	4	7	6	2	3	198	149	29	21
Other fixed assets	108	103	191	211	49	44	152	120	74	66
Inventories	90	86	90	97	69	71	218	183	48	47
Other current assets	35	43	51	38	16	17	69	72	20	16
Total assets	*243*	*236*	*339*	*352*	*136*	*135*	*637*	*524*	*171*	*150*
Short-term liabilities	108	93	87	83	50	45	223	192	53	42
Operating provisions	14	17	116	88	5	5	25	26	5	7
Retail operating capital	*121*	*126*	*136*	*181*	*81*	*85*	*389*	*306*	*113*	*101*
Other operating capital										
Total	*121*	*126*	*136*	*181*	*81*	*85*	*389*	*306*	*113*	*101*
Net turnover	918	911	812	855	399	389	1,220	1,063	457	456
Operating result on retail activities	39	37	(119)[1]	(59)	2	2	82	78	35	46
Internal rental result										
Amortisation of goodwill							(12)	(7)		
Result on disposal of property										
Operating result	39	37	(119)	(59)	2	2	70	71	35	46
Depreciation and amortisation of goodwill	22	21	45	35	13	13	37	29	19	15
Investments	(37)	(27)	(52)	(56)	(21)	(14)	(34)	(27)	(39)	(26)
Effects of acquisitions and disposals							(81)	(150)		
Movements in operating capital	17	(3)	26	28	7	(12)	(2)	6	4	9
Other operating movements	3	0	12	5	4	(1)	(3)	(2)	3	(2)
Cash flow before financing & taxation	44	28	(88)	(47)	5	(12)	(13)	(73)	22	42
Operating margin	4.2	4.1	(14.7)	(6.9)	0.5	0.5	6.7	7.3	7.7	10.1
Return on operating capital	32.2	29.4	(87.5)	(32.6)	2.5	2.4	21.1	25.5	31.0	45.5
No. of employees (average)	10,800	10,900	14,100	15,000	4,100	4,100	7,000	6,000	5,300	5,000
No. of employees in FTE (at year-end)	5,723	5,791	7,504	8,532	2,854	2,891	4,980	4,236	3,429	3,194
Segmented information										
Geographic spread										
Total assets	243	236	339	352	136	135	637	524	171	150
Netherlands	*215*	*213*	*339*	*352*	*136*	*135*	*286*	*250*	*63*	*58*
Belgium, Luxembourg	*23*	*19*					*351*	*274*	*20*	*21*
Germany	*5*	*4*							*15*	*16*
France									*62*	*49*
Other countries									*11*	*6*
Net turnover	*918*	*911*	*812*	*855*	*399*	*389*	*1,220*	*1,063*	*457*	*456*
Netherlands	*847*	*850*	*812*	*855*	*399*	*389*	*764*	*753*	*190*	*198*
Belgium, Luxembourg	*67*	*60*					*456*	*310*	*89*	*90*
Germany	*4*	*1*							*66*	*69*
France									*104*	*95*
Other countries									*8*	*4*
Investments	37	27	52	56	21	14	34	27	39	26
Netherlands	30	20	52	56	21	14	16	18	12	6
Belgium, Luxembourg	5	4					18	9	2	2
Germany	2	3							3	3
France									17	13
Other countries									5	2

* Adjusted for comparison purposes.

Consumer Electronics		Property[3]		Other activities/ holding[4]		Continued activities		Discontinued activities		Consolidated	
2003/04	**2002/03***	**2003/04**	**2002/03***	**2003/04**	**2002/03***	**2003/04**	**2002/03***	**2003/04**	**2002/03***	**2003/04**	**2002/03**
				(EUR million except otherwise stated)							
2	2	1	2	2		251	187			251	187
36	36	510	502	60	61	1,180	1,143			1,180	1,143
99	92			18	16	632	592			632	592
15	14	6	5	134	107	346	312	1	4	347	316
152	144	517	509	214	184	2,409	2,234	1	4	2,410	2,238
51	59	2	4	39	60	613	578		1	613	579
10	11			202	210	377	364	1	17	378	381
91	74			(27)	(86)	904	787	0	(14)	904	773
		515	505			515	505			515	505
91	74	515	505	(27)	(86)	1,419	1,292	0	(14)	1,419	1,278
603	615			42	38	4,451	4,327		360	4,451	4,687
17	25			(19)	(31)	37	98	(3)[5]	162	34	260
		36	40			36	40			36	40
				(2)		(14)	(7)			(14)	(7)
		5	11			5	11			5	11
17	25	41	51	(21)	(31)	64	142	(3)	162	61[6]	304
8	8	23	21	7	5	174	147		11	174[7]	158
(10)	(14)	(24)	(27)	(6)	(7)	(223)	(198)		(16)	(223)	(214)
				(13)	(20)	(94)	(170)	(3)	151	(97)	(19)
(17)	(2)	(3)	(1)	(46)	40	(14)	65			(14)	65
2	5	10	5	6	1	37	11			37	11
0	22	47	49	(73)	(12)	(56)	(3)	(6)	308	(62)	305
2.8	4.1					1.4	3.2			1.6	6.4
18.7	33.8	7.0	7.9			5.1	10.7			4.9	23.5
2,400	2,500			600	600	44,300	44,100		4,400	44,300	48,500
1,970	2,081			515	468	26,975	27,193			26,975	27,193
152	144	517	509	214	184	2,409	2,234	1	4	2,410	2,238
152	*144*	*517*	*509*	*208*	*184*	*1,916*	*1,845*	*1*	*4*	*1,917*	*1,849*
				3		*397*	*314*			*397*	*314*
						20	*20*			*20*	*20*
						62	*49*			*62*	*49*
				3		*14*	*6*			*14*	*6*
603	615			42	38	4,451	4,327		360	4,451	4,687
603	*615*			*35*	*30*	*3,650*	*3,690*		*349*	*3,650*	*4,039*
				3	*3*	*615*	*463*		*9*	*615*	*472*
				4	*5*	*74*	*75*		*2*	*74*	*77*
						104	*95*			*104*	*95*
						8	*4*			*8*	*4*
10	14	24	27	5	7	222	198		16	222	214
10	14	24	27	5	7	170	162		16	170	178
						25	15			25	15
						5	6			5	6
						17	13			17	13
						5	2			5	2

* Adjusted for comparison purposes.

Notes to the segmentation

(1) The operating result on retail activities for V&D is affected by a one-off charge of approximately EUR 80 million (EUR 48 million) for reorganisation.

(2) From July 1, 2003, the consolidated figures for the DIY segment include the figures for the Belgian activities of Leroy Merlin. In the comparative figures, the figures for Brico are included in the consolidation as from April 1, 2002.

(3) In connection with the mortgage taken out on the property, the split of the assets over the retail segment (Hema, V&D and Bijenkorf) and the property segment has been reassessed. As a result, an amount of EUR 14 million has been transferred for technical installations from V&D retail to the property segment. Together with the accompanying depreciation, this has a downward effect on the return on operating capital of property. The comparative figures have not been adjusted.

(4) The other fixed assets included in the segment for other activities/holding consist mainly of financial fixed assets (see note 3 to the consolidated financial statements); the other current assets mainly concern the tax receivable (see note 5 to the consolidated financial statements); the provisions mainly pertain to the deferred tax provision (see note 9 to the consolidated financial statements). The result on the other activities/holding includes a one-off cost of EUR 6 million, stemming from the termination of the group pension contract. The comparative figure for the segment includes a one-off cost of EUR 15 million for the restructuring and streamlining of Vendex KBB IT Services.

(5) The result from discontinued activities consists of a) a result of EUR 4 million stemming from the settlement of the activities of FAO Schwarz, terminated in the financial year 2001/02, and b) a negative result of EUR 7 million stemming from the settlement of the spin-off of a former group company from the group pension contract. The comparative figure for the discontinued activities segment comprises the net book result from the sale of 6 group constituents to Retail Network Company (EUR 145 million) and the sale of America Today, as well as the pre-tax operating result of these companies and of Dixtone (EUR 7 million) up until the respective moments of sale.

(6) The operating result includes an amount of EUR 11 million from released provisions. The portion of the maintenance provision that was not needed is EUR 6 million, and the portion of the provision for discontinued activities that was not needed is EUR 4 million. In the previous year, the release pertained to the provision for obsolete stock.

(7) The amortisation and depreciation include the impairments of EUR 6 million for V&D and EUR 2 million for M&S.

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Segmentation (financial statements 2002/03)

	HEMA		V&D		Bijenkorf		DIY[2]		Fashion	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
Intangible fixed assets							149	4	21	14
Other fixed assets	107	102	217	201	47	48	120	85	66	58
Inventories	86	103	97	122	71	63	183	109	47	54
Other current assets	43	46	38	41	17	15	72	31	16	19
Total assets	*236*	*251*	*352*	*364*	*135*	*126*	*524*	*229*	*150*	*145*
Short-term liabilities	93	113	83	85	45	48	192	64	42	43
Operating and other provisions	17	20	88	85	5	5	26	2	7	7
Operating capital	*126*	*118*	*181*	*194*	*85*	*73*	*306*	*163*	*101*	*95*
Net turnover	933	924	856	890	420	406	1,066	737	455	424
Netherlands	*872*	*871*	*856*	*890*	*420*	*406*	*756*	*737*	*197*	*190*
Belgium & Luxembourg	*60*	*53*					*310*		*90*	*87*
Germany	*1*								*69*	*68*
France									*95*	*76*
Other countries									*4*	*3*
Result on retail operations	37	32	(59)[1]	12	2	17	78	57	46	44
Amortisation of goodwill							(7)	0		
Result on disposal of property										
Operating result	37	32	(59)	12	2	17	71	57	46	44
Depreciation and amortisation of goodwill	21	22	35	28	13	12	29	13	15	12
Investments	(27)	(36)	(56)	(50)	(14)	(17)	(27)	(20)	(26)	(31)
Acquisition and disposal of securities							(150)	(21)		
Movements in operating working capital	(3)	15	28	(44)	(12)	(5)	6	6	9	10
Other operating movements	0	1	5	22	(1)	0	(2)	7	(2)	(14)
Cash flow before financing and taxation	28	34	(47)	(32)	(12)	7	(73)	42	42	21
Operating margin	4.0	3.5	(6.9)	1.3	0.5	4.2	7.3	7.7	10.1	10.4
Return on operating capital	29.4	27.1	(32.6)	6.2	2.4	23.3	25.5	35.0	45.5	46.3
Number of employees (average)	10,900	10,900	15,000	15,500	4,100	4,000	6,000	3,800	5,000	4,700
Number of FTE employees (year end)	5,791	5,720	8,532	8,941	2,891	2,876	4,236	2,635	3,194	3,099

Notes to the segmentation

1) In V&D's operating result on retail activities is affected by a non-recurring charge of approximately EUR 48 million for the revitalisation of V&D.

2) The DIY figures include the consolidation of the Brico figures as from April 1, 2002.

3) The other fixed assets under the heading of other activities/holding company mainly comprise financial fixed assets; the other current assets largely concern the tax asset. The result on the other activities/holding company includes a non-recurring charge of EUR 15 million for the restructuring and streamlining of Vendex KBB IT Services.

4) The result on discontinued activities is made up of a.) a net book profit of EUR 145 million on the disposal of the six operating companies to CVC, b.) an operating result before tax of EUR 21 million for these companies in respect of the first six months, c.) The result of EUR (3) million for America Today, of which EUR (2) million represents the operating result before tax and d.) the Dixtone operating result of EUR (1) million up to the date of closure of this business. The comparative figure for discontinued activities includes in addition to the above companies the figures relating to the activities of Kijkshop Belgium and the American toy chain FAO Schwarz discontinued in the previous year.

Consumer electronics		**Property**		**Other activities/ holding[3]**		**Continued activities**		**Discontinued activities**		**Consolidated**	
2002/03	**2001/02**	**2002/03**	**2001/02**	**2002/03**	**2001/02**	**2002/03**	**2001/02**	**2002/03**	**2001/02**	**2002/03**	**2001/02**
		2	2			172	20			172	20
38	38	502	500	61	59	1,158	1,091		97	1,158	1,188
92	98			16	19	592	568		140	592	708
14	24	5	15	107	70	312	261	4	47	316	308
144	*160*	*509*	*517*	*184*	*148*	*2,234*	*1,940*	*4*	*284*	*2,238*	*2,224*
59	69	4	13	60	21	578	456	1	94	579	550
11	19			210	198	364	336	17	47	381	383
74	*72*	*505*	*504*	*(86)*	*(71)*	*1,292*	*1,148*	*(14)*	*143*	*1,278*	*1,291*
589	590			38	47	4,357	4,018	360	940	4,717	4,958
589	*590*			*30*	*30*	*3,720*	*3,714*	*349*	*697*	*4,069*	*4,411*
				3	*9*	*463*	*149*	*9*	*34*	*472*	*183*
				5	*7*	*75*	*75*	*2*	*5*	*77*	*80*
						95	*76*			*95*	*76*
					1	*4*	*4*		*204*	*4*	*208*
25	14	40	37	(31)	(7)	138	206	162[4]	(119)	300	87
						(7)	0			(7)	0
		11	14			11	14			11	14
25	14	51	51	(31)	(7)	142	220	162	(119)	304	101
8	7	21	21	5	5	147	120	11	29	158	149
(14)	(14)	(27)	(20)	(7)	(7)	(198)	(195)	(16)	(29)	(214)	(224)
				(20)		(170)	(21)	151	156	(19)	135
(2)	14	(1)		40	(19)	65	(23)			65	(23)
5	(7)	5	19	1	19	11	47			11	47
22	14	49	71	(12)	(9)	(3)	148	308	37	305	185
4.2	2.4					3.2	5.1			6.4	1.8
33.8	19.4	7.9	7.3			10.7	17.9			23.5	6.7
2,500	2,600			600	700	44,100	42,200	4,400	10,800	48,500	53,000
2,081	2,084			468	598	27,193	25,953		5,100	27,193	31,053

(12) Salaries and social security charges

	2003/04			2002/03			2001/02		
	Continued	Discontinued	Total	Continued	Discontinued	Total	Continued	Discontinued	Total
					(EUR million)				
Salaries	668	—	668	625	53	678	582	146	728
Social security charges	125	—	125	132	7	139	119	12	131
Pension schemes	61	—	61	47	2	49	19	6	25
	854	—	854	804	62	866	720	164	884

The 2003/04 increase in the salaries and social security charges, including pension schemes for the continued activities, is to a large extent the result of the acquisition of the Belgian activities of Leroy Merlin, which are consolidated as from July 1, 2003.

The 2002/03 increase in salaries and social security charges, including the costs of pension schemes of the continued activities, was largely due to the acquisition of Brico, which has been included in the consolidation as from April 1, 2002. The pension scheme costs were higher as a result of the increased pension contributions and the costs of the newly introduced "pre-pension" scheme, which replaces the existing early retirement schemes.

Pensions (financial statement 2003/04)

Approximately 90% of the employees over twenty years of age in the Netherlands participate in Stichting Pensioenfonds Vendex KBB. The remaining 10% participates in a sector's pension fund or an insured pension scheme.

Stichting Pensioenfonds Vendex KBB (financial statement 2003/04)

This foundation is the entity charged with implementing the Vendex KBB pension scheme, as well as the pension schemes of the former Vendex and KBB. The pension scheme is based on the average pay system with post-indexing, and stipulates that indexing will only be effected if, in the view of the foundation's board, the financial means permit. The funding of the foundation is arranged by way of an agreement with the Company, and is based on contributions charged on the pension-giving wages. The division of the contributions between employer and employee is set out in the Collective Labour Agreement (CAO).

The board has equal representation, with eight members appointed by the active participants and retired employees and eight members appointed by the employer, and is entrusted with implementing the scheme, the contribution and indexing policy and the management of the funds in the broadest sense. The pension scheme is self-administered. The majority of the insurance-related risks are covered through reinsurance. The capital management has been outsourced to two capital management firms. The foundation publishes its own financial statements. Its financial year runs from January 1 to December 31.

At year-end 2003, the number of policyholders was approximately 85,000, consisting of around 30,000 active members, 40,000 paid-up members and 15,000 retired members.

(12) Salaries and social security charges (Continued)

Assessed position of the fund as at December 31, 2003

	(EUR million)
Shares and property	434
Fixed-interest securities	832
Available capital	1,266
Pension commitments	1,216
Coverage as at December 31, 2003	104%

The shares and property and the fixed-interest securities are stated at market value. The pension commitments consist of the net present value (based on 4% standard rate of interest) of the nominal claims as at December 31, 2003, and are calculated based on the GBM/V 1995–2000 mortality table, with two-year and one-year backward age adjustment, respectively. A 2% mark-up is applied for paying-out costs.

The foundation's commitments are fully covered by its capital. The minimum coverage–in accordance with the supervisory authority's requirements, plus a mark-up for general risks–is 103% for this foundation.

In view of the financial prospects toward the end of 2001, the decision about indexing as from January 1, 2002 was postponed. Until this decision is made, advances are being paid out to the retired participants. In view of the coverage as at December 31, 2003, the board of the foundation has set indexing at 0% as from January 1, 2004, which is the same as for 2003.

Other pension schemes

Directors of the operating companies participate in Stichting Directiepensioenfonds Vendex KBB. The participants have a mitigated final-salary scheme, with a pre-pension age of 62. The financing of this foundation is arranged by way of an agreement with the Company, and is based on contributions charged on the pension-giving wages, as well as on an adjustment mechanism for variances in coverage. The retired participants have been informed that the decision about indexing as from January 1, 2004 has been postponed until further notice. In view of general developments of pensions, this scheme will also be reviewed. The pensions of the members and former members of the Board of Management are placed with Nationale Nederlanden.

(13) Average number of employees

The number of employees with permanent contracts can be divided as follows by geographic segment in which Vendex KBB is active. For a list of employees per business unit, please refer to the segmentation overview.

	2003/04	2002/03	2001/02
Netherlands	38,000	38,800	*
Belgium, Luxembourg	4,100	3,300	*
Germany	1,200	1,200	*
France	900	800	*
Other countries	100	0	*
Discontinued activities	0	4,400	10,800
	44,300	48,500	53,000

* Geographical split not available.

(14) Financial income and expenses

	2003/04	2002/03	2001/02
		(EUR million)	
Interest income and expenses	(47)	(50)	(51)
Refinancing costs	(1)	—	—
Exchange rate differences	(1)	1	0
	(49)	(49)	(51)

(15) Changes in value

	2003/04	2002/03	2001/02
		(EUR million)	
Result on sale of financial fixed assets, net	—	1	6
Other changes in values	—	(17)	0
	—	(16)	6

The 2002/03 changes in values mainly pertained to the write-down of an interest in shopping centers in Brazil.

(16) Taxation

	2003/04		2002/03		2001/02	
	(EUR million)	%	(EUR million)	%	(EUR million)	%
Result on ordinary activities before tax	12	100	239	100	56	100
34.5% tax (35% for 2001/02)	(4)	(35)	(82)	(35)	(20)	(35)
Tax losses carried forward	4	37	2	1	25	44
Tax losses not recognised	(4)	(31)	(2)	(1)	(1)	2
Effect of different rates of taxation in other countries	1	4	0	0	(1)	2
Amortisation of goodwill	(5)	(39)	(2)	(1)	—	—
Tax-exempt income	3	25	49	21	2	(4)
Other adjustments	1	4	0	0	—	—
Effective tax on ordinary actvities	(4)	(35)	(35)	(15)	5	9
Effective tax on extraordinary expenses					25	

The low tax burden in 2002/03 stemmed mainly from the tax-exempt income from the sale of six operating companies to CVC (Retail Network Company).

(16a) Extraordinary expenses after tax

The extraordinary expenses in 2001/02 relate to a non-recurring payment of EUR 73 million (EUR 48 million after tax) in connection with the merger of the Vendex KBB Pension funds.

(17) Net result per ordinary share

	2003/04	2002/03	2001/02
		(EUR million)	
Net result	9	202	13
Dividend on preference shares	0	0	(1)
Net result attributable to holders of ordinary shares (A)	9	202	12
Weighted average number of outstanding ordinary shares (in millions) (B)	89.2	90.5	92,4
Stock options (in millions)	0.1	0	0
Weighted average number of outstanding ordinary shares, diluted (in millions) (C)	89.3	90.5	92.4
Net result per ordinary share (EUR 1) (A/B)	**0.10**	**2.23**	**0.13**
Diluted net result per ordinary share (EUR 1) (A/C)	0.10	2.23	0.13

As at balance sheet date, the outstanding stock options on depositary receipts for ordinary shares do not have a material dilution effect on the net results per ordinary share.

(18) Notes to the Consolidated Cash Flow Statement

The 2003/04 balance sheet movements are included in the cash flow statement as follows:

	Movements in balance sheet	Operating activities	Financial income and expenses and taxation	Investments in group companies	Disposals of group companies	Other investments	Financing activities
				(EUR million)			
Results	9	64	(53)	—	(3)	1	—
Intangible fixed assets	(64)	22	—	(61)	—	(25)	—
Tangible fixed assets	(41)	152	—	(28)	—	(165)	—
Financial fixed assets	4	—	—	—	—	4	—
Inventories	(40)	(15)	—	(25)	—	—	—
Debtors	(12)	17	(7)	(19)	—	(3)	—
Short-term liabilities	34	(13)	0	41	6	—	—
Provisions	(3)	16	(8)	(2)	(9)	—	—
Subtotal	*(113)*	*243*	*(68)*	*(94)*	*(6)*	*(188)*	—
Long and short-term loans	184	—	—	13	—	—	171
Group equity	(40)	(1)	—	—	—	—	(39)
Total cash flows	31	242	(68)	(81)	(6)	(188)	132

The 2002/03 balance sheet movements are included in the cash flow statement as follows:

	Movements in balance sheet	Business operations	Financial income and expenses and taxation	Investments in group companies	Disposals of group companies	Other investments	Financing activities
			(EUR million)				
Results	202	142	(84)	—	162	(18)	
Intangible fixed assets	(152)	9	—	(152)	—	(9)	
Tangible fixed assets	32	138	—	(27)	93	(172)	
Financial fixed assets	(2)	—	—	—	—	(2)	
Inventories	116	46	—	(71)	141	—	
Debtors	(33)	(13)	6	(46)	12	8	
Short-term liabilities	29	18	(3)	103	(89)	—	
Provisions	(2)	(20)	6	23	(11)	—	
Subtotal	*190*	*320*	*(75)*	*(170)*	*308*	*(193)*	—
Long-term and short-term loans	(130)	—	—	20	—	—	(150)
Group equity	(51)	—	(1)	—	4	—	(54)
Total cash flows	9	320	(76)	(150)	312	(193)	(204)

(18) Notes to the Consolidated Cash Flow Statement (Continued)

The cash flow statement can be reconciled in the following manner with the cash flow before financing and taxation from the continued activities according to the segmentation overview:

	2003/04	2002/03	2001/02
		(EUR million)	
Total cash flows	31	9	(51)
Adjusted for:			
Cash flow from financing activities	(132)	204	108
Cash flow from disposals of group companies	6	(312)	(27)
Cash flow from financial income and expenses and taxation	68	76	53
Cash flow from extraordinary expenses	—	—	73
Movements cash held in the stores	(19)	25	5
Other adjustments and exchange rate differences	(10)	(5)	(13)
	(87)	(12)	199
Cash flow before financing and taxation from the continued activities, corresponding to the segmentation overview	(56)	(3)	148

(19) Financial instruments

Vendex KBB uses financial instruments as part of the ordinary course of business, which are presented as assets and liabilities in the balance sheet, as well as financial derivatives.

The financial instruments included in the balance sheet consist almost entirely of financial fixed assets, trade debtors, other receivables, cash, long-term liabilities and current liabilities. The estimated market value of these financial instruments is approximately the same as their book value, and is based on the net present value.

In order to limit the impact on results of fluctuations in interest rates and exchange rates, the Company uses Interest Rate Swaps. These financial derivatives are used to fix the interest rate on underlying loans. The market value of these financial derivatives represents a liability of EUR 12 million (EUR 19 million) (receivable of EUR 2 million). These financial derivatives are not included in the balance sheet. No hedging instruments are used for securities or other receivables.

Financial derivatives for hedging interest rate risks and exchange rate risks on current purchasing orders are not included in the balance sheet, but at the same time recorded with the hedged transactions. Cash flows from financial derivatives are recognised as financial income and expenses in the period up to the maturity of the instruments concerned.

In the case of early repayment of loans, the market value of any redundant hedge is ascertained and the gains and losses represented by that position are recognised in the profit and loss accounts for the year.

The gold loan, the principal of which is expressed in quantities, has been concluded with the object of absorbing fluctuations in the value of gold stocks held by one of the Vendex KBB formats.

The credit risk consists of the loss that would arise if any of the parties to the contract were to be in default on their contractual obligations. Except for receivables included in the "Other receivables"

(19) Financial instruments (Continued)

item, Vendex KBB is not exposed to any significant credit risk, with regard to its individual customers or counterparties. There is also a credit risk in case a counterparty to a contract involving financial derivatives defaults on its obligations. This is, however, unlikely given the creditworthiness of the counterparties with which financial derivatives are contracted.

KONINKLIJKE VENDEX KBB N.V.

COMPANY BALANCE SHEET

for the financial year February 1, to January 31 before profit appropriation

	Notes	2003/04		2002/03		2001/02	
				(EUR million)			
Fixed assets							
Financial fixed assets	20		1,577		1,807		1,910
Current assets							
Debtors		81		64		59	
Cash		0		0		57	
		81		64		116	
Current liabilities							
Short-term liabilities	21	(101)		(286)		(427)	
Short-term loans	22	(170)		(591)		(658)	
		(271)		(877)		(1,085)	
Current assets less current liabilities			(190)		(813)		(969)
			1,387		994		941
Financed by:							
Long-term liabilities							
Subordinated loan	23	—		—		250	
Long-term loans	23	849		415		275	
			849		415		525
Provisions	24		22		32		20
Shareholders' equity							
Issued share capital	25	3		3		3	
Share premium reserve	26	254		255		263	
Revaluation reserve	27	12		12		13	
Statutory reserves	28	2		2		4	
Other reserves	29	236		73		100	
Result for the financial year		9		202		13	
			516		547		396
			1,387		994		941

COMPANY PROFIT AND LOSS ACCOUNT

for the financial year February 1, to January 31

	2003/04	2002/03	2001/02
		(EUR million)	
Result of participating interests after tax	9	202	13
Other results after tax	0	0	0
Net result	9	202	13

Principles for the valuation of assets and liabilities and for the determination of results

The participating interests in group companies are stated at net asset value, calculated in accordance with the valuation principles as set out in the notes to the consolidated financial statements. The other assets and liabilities are valued, and the result is determined, in accordance with the valuation principles as set out in the notes to the consolidated financial statements.

Fixed assets

(20) Financial fixed assets

	2003/04	2002/03	2001/02
	(EUR million)		
Participating interests in group companies	1,399	1,149	918
Amounts receivable from group companies	172	649	971
Amounts receivable from other participating interests	6	9	21
	1,577	1,807	1,910

	Total	Participating interests in group companies	Amounts receivable from group companies	Amounts receivable from other participating interests
	(EUR million)			
Balance as at February 1, 2002	1,910	918	971	21
New investments and repayments, net	(238)	25	(269)	6
Share in net results	202	202	—	—
Dividends received	—	—	—	—
Disposals	(71)	—	(53)	(18)
Exchange rate differences	4	4	—	—
Balance as at January 31, 2003	1,807	1,149	649	9
New investments and repayments, net	(239)	241	(477)	(3)
Share in net results	9	9	—	—
Dividends received	—	—	—	—
Disposals	—	—	—	—
Exchange rate differences	—	—	—	—
Balance as at January 31, 2004	1,577	1,399	172	6

Current liabilities

(21) Short-term liabilities

	2003/04	2002/03	2001/02
	(EUR million)		
Group companies	90	267	414
Accruals and deferred income	11	19	13
	101	286	427

(22) Short-term loans

	2003/04	2002/03	2001/02
		(EUR million)	
Credit institutions	162	335	389
Repayment commitments on long-term liabilities	8	256	269
	170	591	658

(23) Long-term liabilities

Financial statements 2003/04

	Average effective interest rate	Repayment commitments < 1 year	1–5 years	> 5 years	Total 2003/04	Total 2002/03
	(%)		(EUR million)			
Subordinated loan	—	—	—	—	—	150
Bank loan	4.6	—	407	—	407	517
Mortgage loan	5.7	8	30	212	250	—
Senior subordinated notes	7.4	—	—	200	200	—
Bridging facilities	—	—	—	—	—	2
Gold and silver loans	—	—	—	—	—	2
		8	437	412	857	671
Of which due in current period					*8*	*256*
Loans longer than 1 year					849	415

Financial statements 2002/03

	Average effective interest rate	Repayment commitments < 1 year	1–5 years	> 5 years	Total 2002/03	Total 2001/02
	(%)		(EUR million)			
Subordinated loan	5.3	150	—	—	150	250
Syndicated loan	4.9	102	415	—	517	373
Bridging facilities	2.0	2	—	—	2	153
Gold and silver loans	7.2	2	—	—	2	13
Other loans	—	—	—	—	—	5
		256	415	—	671	794
Of which due in current period					*256*	*269*
Loans longer than 1 year					415	525

For a detailed description, see also note 8 to the consolidated financial statements.

(24) Provisions

The provisions include an amount of EUR 22 million (EUR 29 million) (EUR 17 million) for deferred tax liabilities. The other provisions concern various types of risks.

(25) Shareholders' equity

The authorised capital of EUR 12 million (EUR 12 million) (EUR 12 million) and the issued capital consist of the following:

	Authorised capital		Issued capital			
Type of shares	Number	Nominal value (EUR)	Number	Amount (EUR) 2003/04	2002/03	2001/02
Ordinary shares	340,000,000	0.02	90,783,520	2	2	2
Class B preference shares	30,000	40.00	21,000	1	1	1
Class C preference shares	40,000	100.00	—	—	—	—
Total				3	3	3

In 2003/04 there were no movements in the number of preference shares.

In an amendment of the Articles of Association dated August 6, 2001 the face values of the shares have been redenominated to euro. The resulting differences for the ordinary shares have been added to the share premium reserve; for the Class B preference shares they have been refunded. In the same amendment of the Articles of Association the number of ordinary shares has been increased to 340,000,000, the number of Class C preference shares from 11,500 to 40,000 and the Class A preference shares have been withdrawn.

In 2001/02 2,061,279 ordinary shares of EUR 0.02 were issued pursuant to stock dividends.

	2003/04	2002/03
Number of ordinary shares		
Balance as at February 1	89,308,614	91,370,682
Repurchase own shares	(35,000)	(2,062,068)
Balance as at January 31	89,273,614	89,308,614

Own shares held by the company

	2003/04	2002/03	2001/02
Ordinary shares			
Balance as at February 1	2,062,068	2,709,500	50,000
Decrease due to stock dividend	—	—	(50,000)
Cancellation of shares	(587,162)	(2,709,500)	—
Repurchase of own shares	35,000	2,062,068	2,709,500
Balance as at January 31	1,509,906	2,062,068	2,709,500

The average price for repurchasing ordinary shares was EUR 8.58 (EUR 9.43) (EUR 9.44). In addition 70,260,350 certificates of Class A preference shares (7,026,035 preference shares) were bought

(25) Shareholders' equity (Continued)

back for an average price of EUR 0.31 per certificate and, after dividend distribution of EUR 0.01 per certificate in 2001/02. During 2002/03 1,509,906 depository receipts for ordinary shares were repurchased in connection with the current stock option programme.

(26) Share premium reserve

	2003/04	2002/03	2001/02
		(EUR million)	
Ordinary shares			
Balance as at February 1	255	263	263
Cancellation of shares	(1)	(8)	0
Balance as at January 31	254	255	263

	2003/04	2002/03	2001/02
		(EUR million)	
Preference shares			
Balance as at February 1	—	—	105
Cancellation of preference shares	—	—	(105)
Balance as at January 31	—	—	—
Total	254	255	263

An amount of EUR 195 million (EUR 196 million) (EUR 196 million) of the share premium reserve in respect of ordinary shares is not recognised by the tax authorities as having been paid up.

(27) Revaluation reserve

	2003/04	2002/03	2001/02
		(EUR million)	
Balance as at February 1	12	13	16
Changes during year	0	(1)	(3)
Balance as at January 31	12	12	13

(28) Statutory reserves

	2003/04	2002/03	2001/02
		(EUR million)	
Retained result on participating interests			
Balance as at February 1	2	4	4
Changes during year	—	(2)	0
Balance as at January 31	2	2	4

(29) Other reserves

	2003/04	2002/03	2001/02
		(EUR million)	
Balance as at February 1	73	100	(73)
Undistributed result	202	13	160
Repurchase of depository receipts of Class A preference shares	—	—	(22)
Cancellation of Class A preference shares	—	—	105
Repurchase of own shares (depositary receipts of ordinary shares)	0	(19)	(26)
Exchange rate differences	0	3	(10)
Other movements	(1)	11	3
Final dividend paid for previous year	(29)	(19)	(16)
Interim dividend paid	(9)	(16)	(21)
Balance as at January 31	236	73	100

(30) Stock option schemes

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In the reporting year, the Company awarded option rights to depositary receipts for ordinary shares to approximately 100 managers and directors. The purpose of this option scheme is to bring the interests of management in line with those of the shareholders, by granting them an additional performance-related reward as a long-term stimulus for the Company's affairs. The intention is that this will increase the shareholder value. The exercise price of the options is the stock exchange price when the options are accepted. The number of options to be awarded is generally a percentage of the fixed salary (varying from 60% to 150%) divided by the exercise price. Grants of option rights are also restricted to 1% of the number of outstanding ordinary shares per year. The options awarded up to year-end 2001 have terms of five years. Options granted in 2002 and 2003 have terms of seven years.

When an option right is exercised and/or an employee announces the termination of his or her employment contract with the Company or with any other business affiliated with the Company, the employee is obliged to repay to the Company a percentage of the gain realised by exercising the option (after tax): in the first year of the option term this percentage is 99%; in the second year of the option term 66%; in the third year of the option term 33%; and after the third year of the option term 0%. The Company can repurchase the depositary receipts of ordinary shares needed for exercising the option rights, in order to prevent dilution of the profit per share as a result of the option scheme. As at January 31, 2004, the Company held 1,509,906 repurchased depositary receipts of ordinary shares for the option scheme. At year-end of the reporting year, the members of the Supervisory Board did not hold any option rights to depositary receipts of ordinary shares in Vendex KBB.

Options granted before 1999 pertain to shares in Vendex International N.V. before the demergers of Vedior and Vendex Food Group, and currently entitle the holder to a combination of 1 share in Vendex KBB, 0.9868 shares in Vedior N.V. and 0.7 shares in Laurus N.V.

(30) Stock option schemes (Continued)

The balances and movements in the options in connection with the option scheme described above are as follows:

Series	1st exercise date	Expiry date	Exercise price	February 1 2003	Granted 2003	Lapsed	January 31 2004
Board of Management							
P.E. Hamming							
1998[1]	May 29, 1998	April 10, 2003	61.03	25,901		(25,901)	—
1999[2]	May 17, 1999	May 14, 2004	23.80	63,469			63,469
2000[2]	April 14, 2000	April 13, 2005	17.80	80,503			80,503
2001	April 12, 2001	April 11, 2006	15.60	50,177			50,177
2002	April 12, 2002	April 11, 2009	13.90	59,352			59,352
2003	April 11, 2003	April 11, 2010	8.20	—	70,501		70,501
D.R. Goeminne							
1999[2]	May 17, 1999	May 14, 2004	23.80	8,579[3]			8,579
2000[2]	April 14, 2000	April 13, 2005	17.80	12,108[3]			12,108
2001	April 12, 2001	April 11, 2006	15.60	19,547[3]			19,547
2002	April 12, 2002	April 11, 2009	13.90	22,877[3]			22,877
2003	April 11, 2003	April 11, 2010	8.20	—	27,136[3]		27,136
M.H.M. Smits							
1999[2]	May 17, 1999	May 14, 2004	23.80	21,448			21,448
2000[2]	April 14, 2000	April 13, 2005	17.80	47,793			47,793
2001	April 12, 2001	April 11, 2006	15.60	35,560			35,560
2002	April 12, 2002	April 11, 2009	13.90	42,086			42,086
2003	April 11, 2003	April 11, 2010	8.20	—	50,021		50,021
J.B.J.M. Hunfeld							
2001	April 12, 2001	April 11, 2006	15.60	34,906			34,906
2002	April 12, 2002	April 11, 2009	13.90	42,086			42,086
2003	April 11, 2003	April 11, 2010	8.20	—	50,021		50,021
Former members							
1998[1]	May 29, 1998	April 10, 2003	61.03	61,282		(61,282)	—
1999	May 17, 1999	May 14, 2004	23.80	102,471			102,471
2000	April 13, 2005	April 13, 2005	17.80	89,680			89,680
Total for Board of Management				819,825[3]	197,679	(87,183)	930,321

(30) Stock option schemes (Continued)

Series	1st exercise date	Expiry date	Exercise price	February 1 2003	Granted 2003	Lapsed	January 31 2004
Other staff							
1998[1]	as from April 10, 1998	April 10, 2003	60.54	73,902		(73,902)	—
1999[2]	May 17, 1999	May 14, 2004	23.80	169,519[3]		(2,167)	167,352
1999	May 14, 2004	May 14, 2004	23.80	66,781			66,781
2000[2]	April 14, 2000	April 13, 2005	17.80	193,429[3]		(3,242)	190,187
2000	April 13, 2005	April 13, 2005	17.80	140,076			140,076
2001	April 12, 2001	April 11, 2006	15.60	447,398[3]		(3,804)	443,594
2001	November 1, 2001	Oct 31, 2006	8.15	26,726			26,726
2002	April 12, 2002	April 11, 2009	13.90	575,338[3]		(4,448)	570,890
2003	April 11, 2003	April 11, 2010	8.20	—	678,123[3]	(5,276)	672,847
Total for other employees				1,693,169[3]	678,123	(92,839)	2,278,453
Total				2,512,994	875,802	(180,022)	3,208,774

(1) Options in Vendex International: it was decided in 2001 that the Company would provide compensation for the personal income tax paid on the grant of the options (for this series, the marginal rate on 7.5% of the exercise price), if the share price, including the tax paid, has not been in the money for a period of three months during the term in which the options can be exercised and the employment contract has not been terminated. The costs of financing incurred by the employee in question will also be compensated.

(2) For options in Vendex KBB, the Company provides compensation for 5/8 (12.5% of 20%) of the personal income tax paid on the grant of the options (for this series, the marginal rate on 20% of the exercise price) if the recipient is still employed by the Company three years after acceptance. The Company also provides compensation for 3/8 (7.5% of 20%) of the personal income tax paid on the grant of the options if the share price, including the tax paid, has not been in the money for a period of three months during the term in which the options can be exercised and the employment contract has not been terminated. The costs of financing incurred by the employee in question will also be compensated.

(3) As Mr. Goeminne is active as a member of the Board of Management since August 1, 2003, his options are included in those of directors; in the previous year, they were included in the options of "other employees".

(30) Stock option schemes (Continued)

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The balances and movements in the options under the above stock option scheme are shown below:

Series	First exercise date	Expiry date	Exercise price	February 1 2002	Granted	Lapsed	January 31 2003
Board of Management							
P.E. Hamming							
1997(1)	April 18, 1997	April 17, 2002	41.75	22,448		(22,448)	
1998(1)	May 29, 1998	April 10, 2003	61.03	25,901			25,901
1999(2)	May 17, 1999	May 14, 2004	23.80	63,469			63,469
2000(2)	April 14, 2000	April 13, 2005	17.80	80,503			80,503
2001	April 12, 2001	April 11, 2006	15.60	50,177			50,177
2002	April 12, 2002	April 11, 2009	13.90		59,352		59,352
J.B.J.M. Hunfeld							
2001	April 12, 2001	April 11, 2006	15.60	34,906			34,906
2002	April 12, 2002	April 11, 2009	13.90		42,086		42,086
M.H.M. Smits							
1999(2)	May 17, 1999	May 14, 2004	23.80	21,448			21,448
2000(2)	April 14, 2000	April 13, 2005	17.80	47,793			47,793
2001	April 12, 2001	April 11, 2006	15.60	35,560			35,560
2002	April 12, 2002	April 11, 2009	13.90		42,086		42,086
Former members							
1997(1)	April 18, 1997	April 17, 2002	41.75	28,318		(28,318)	
1998(1)	May 29, 1998	April 10, 2003	61.03	61,282			61,282
1999	May 17, 1999	May 14, 2004	23.80	102,471			102,471
2000	April 13, 2005	April 13, 2005	17.80	89,680			89,680
Total for Board of Management				663,956	143,524	(50,766)	756,714
Other staff							
1997(1)	April 18, 1997	April 17, 2002	41.75	60,493		(60,493)	
1998(1)	April 10, 1998	April 10, 2003	60.54	78,068		(4,166)	73,902
1999(2)	May 17, 1999	May 14, 2004	23.80	201,813		(23,715)	178,098
1999	May 14, 2004	May 14, 2004	23.80	68,725		(1,944)	66,781
2000(2)	April 14, 2000	April 13, 2005	17.80	245,068		(39,531)	205,537
2000	April 13, 2005	April 13, 2005	17.80	140,076			140,076
2001	April 12, 2001	April 11, 2006	15.60	523,888		(56,943)	466,945
2001	Nov. 1, 2001	Oct. 31, 2006	8.15	26,726			26,726
2002	April 12, 2002	April 11, 2009	13.90		598,215		598,215
Total for other staff				1,344,857	598,215	(186,792)	1,756,280
Total				2,008,813	741,739	(237,558)	2,512,994

(1) Vendex International Options; the company pays the income tax on the options granted (for this series, the marginal rate of taxation on 7.5% of the exercise price) if the share price has not been in the money including the tax paid for a period of three months during the period in which the options can be exercised and as long as employment with the company has not been terminated. Financing costs incurred by the person concerned are reimbursed.

(30) Stock option schemes (Continued)

(2) The company pays ⅝ (12.5% of the 20%) of the income tax payable on the options granted (for this series, the marginal rate of taxation on 20% of the exercise price), provided the recipient is still in the employment of the company three years after accepting the options. The company also pays ⅜ (7.5% of the 20%) of the income tax payable on the options granted if the share price has not been in the money including the tax paid for a period of three months during the period in which the options can be exercised and as long as employment with the company has not been terminated. Financing costs incurred by the person concerned are reimbursed.

(31) Shares held by members of the Board of Management and Supervisory Board

Mr. Hamming (Board of Management) owns 79,244 (79,244) depositary receipts of Ordinary Shares in Vendex KBB.

As at January 31, 2004, the members of the Supervisory Board do not own any depositary receipts of ordinary shares in Vendex KBB. As at January 31, 2003, Mrs K.M.H. Peijs owned 223 depositary receipts of Ordinary Shares in Vendex KBB.

(32) Remuneration of members of the Board of Management

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The remuneration of the members of the Board of Management is composed as follows: a basic fixed salary, pension insurance based on mitigated final pay with a pensionable age of 62, a bonus of up to 100% of the basic fixed salary (the principal criterion for which is the development of the net result per share), and an annual grant of options worth up to 150% of the annual fixed salary.

The options are granted in the month of April, a few days after the publication of the annual figures. The exercise price is the stock exchange price when the options are accepted. In principle, the options can be exercised immediately, although almost all (99%) of the after-tax profit from exercising the options must be paid to the Company if the options are exercised within one year after acceptance; if they are exercised within two years after acceptance, 66% of the profit must be paid to the Company and if they are exercised within three years after acceptance, 33% of the profit must be paid to the Company.

The table below shows the salary costs for 2003/04 and 2002/03 and the bonus for 2003/04 and 2002/03 that will be paid after 2003/04 and 2002/03.

	Salary		Bonus		Compensation of tax and interest[(1)]		Pensions		Total	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
					(EUR thousand)					
P.E. Hamming	554	555	55	275	396	288	342	280	1,347	1,398
D.R. Goeminne[(2)]	195	—	20	—	—	—	53	—	268	—
M.H.M. Smits	394	395	39	196	140	92	108	86	681	769
J.B.J.M. Hunfeld[(3)]	361	395	—	195	—	—	151	101	512	691
Former members	—	—	—	—	—	4	—	—	—	4
Total	1,504	1,345	114	666	536	384	654	467	2,808	2,862

(32) Remuneration of members of the Board of Management

The following should be noted in connection with the table above:

(1) The column "Compensation of tax and interest" shows the compensation of tax and interest on option rights granted in the past, as described on the notes to the option schemes.

(2) Mr. Goeminne is active as a member of the Board of Management since 1 August 2003; remuneration for 6 months in 2003/04.

(3) Mr. Hunfeld resigned with effect from 31 December 2003. In addition to the remuneration shown in the table, Mr. Hunfeld received a severance payment of EUR 780,000, as contractually agreed.

Financial statements 2002/03

New legislation relating to the disclosure of management pay with effect has resulted in a different method of accounting for the remuneration of members of the Board of Management as from 2002/03. The table below includes:

- the salary expenses relating to the year under review and the bonus for the year payable after the end of the year. Previously, the bonus disclosed was that actually paid in the year under review. The amount of the bonus essentially reflects earnings per share.
- the bonus column also includes the amounts paid in respect of taxation and interest on option rights granted in the past, as described in the notes to the stock option scheme. For the year under review, this concerns an amount of 288 for Mr. Hamming, an amount of 92 for Mr. Smits and an amount of 4 for the former members of the Board of Management.
- the actual pension charges; previously, an average pension contribution was calculated on an actuarial basis for the members of the Board of Management, as applicable to all the senior management of Vendex KBB.
- the total amounts for the previous year, restated in accordance with the new system.

	Salary	Bonus	Pensions	Total 2002/03	Total 2001/02
			(EUR thousand)		
P.E. Hamming	555	563	280	1,398	2,093
J.B.J.M. Hunfeld	395	195	101	691	520
M.H.M. Smits	395	288	86	769	714
Former members	—	4	—	4	30
Total	1,345	1,050	467	2,862	3,357

(33) Remuneration of members of the Supervisory Board

The members of the Supervisory Board receive fixed annual remuneration that is not tied to the results, as well as a fixed expenses allowance per year on the Supervisory Board. Members are generally appointed immediately after the annual general meeting of shareholders in May.

	2003/04	2002/03	2001/02
	(EUR thousand)		
F.A. Maljers, chairman	37	33	25
J. den Hoed, audit committee chairman	33	33	25
H.A.P.M. Pont	29	29	25
Mrs. S.C. Tóth	29	29	25
H. Langman(1)	12	37	32
J.M.M. Maeijer(1)	10	29	25
Mrs. K.M.H. Peijs(2)	10	29	25
Total	160	219	182

(1) Resigned with effect from 14 May 2003.

(2) Resigned with effect from 26 May 2003.

(34) Commitments not included in the balance sheet

The Company has issued statements of joint and several liability for all debts stemming from the juridical acts of almost all consolidated Dutch participating interests. These debts are included in the consolidated balance sheet.

The Company and most of its Dutch group companies form a single fiscal entity; as a result, the Company is jointly and severally liable for the tax liabilities of the fiscal entity as a whole.

Financial statements 2002/03

Amsterdam, April 7, 2003

The Board of Management

P.E. Hamming, Chairman
J.B.J.M Hunfeld
M.H.M. Smits

The Supervisory Board

H. Langman, chairman
F.A. Maljers, vice-chairman
J. den Hoed, audit committee chairman
J.M.M. Maeijer
Mrs. K.M.H. Peijs
H.A.P.M. Pont
Mrs. S.C. Tóth

Financial statements 2003/04

Amsterdam, April 5, 2004

The Board of Management	**The Supervisory Board**
P.E. Hamming, Chairman	F.A. Maljers, Chairman
D.R. Goeminne	J. den Hoed
M.H.M. Smits	H.A.P.M. Pont
	Mrs. S.C. Tóth

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KONINKLIJKE VENDEX KBB N.V.

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

for the half year February 1, to July 31

	31/07/04	31/07/03
	(in millions of euro)	
Fixed assets		
Intangible fixed assets	248	238
Tangible fixed assets	1,122	1,152
Financial fixed assets	50	55
	1,420	1,445
Current assets		
Inventories	653	653
Debtors	316	260
Cash	115	35
	1,084	948
Current liabilities		
Short-term liabilities	(663)	(618)
Short-term loans	(16)	(572)
	(679)	(1,190)
Capital employed	1,825	1,203
Financed by:		
Long-term liabilities		
Subordinated loan		—
Long-term loans	1,007	302
	1,007	302
Provisions	342	363
Group equity	476	538
	1,825	1,203

KONINKLIJKE VENDEX KBB N.V.

UNAUDITED INTERIM CONSOLIDATED PROFIT & LOSS ACCOUNT

for the half-year February 1, to July 31

	31/07/04	31/07/03[1]
	(in millions of euro)	
Net turnover	2,169	2,137
Continued activities	*2,169*	*2,137*
Discontinued activities	—	—
Cost of sales	(1,388)	(1,365)
Gross operating result	781	772
Selling and distribution costs	(586)	(579)
General administrative expenses[2]	(176)	(140)
Other operating income	7	0
Operating result	26	53
Continued activities	*26*	*53*
Discontinued activities	—	—
Financial income and expenses[3]	(80)	(22)
Changes in the value and income from receivables forming part of fixed assets and in the value of and income from securities	0	0
Result on ordinary activities before tax	(54)	31
Taxation	15	(11)
Results of participating interests	(1)	0
Net result	(40)	20

(1) Classification regarding revenue recognition as of February 1, 2003 (RJ 270) adjusted for comparison purposes.

(2) Including exceptional items regarding redemption of management stock options and merger and advisory costs amounting to €22 million.

(3) Including exceptional item related to the repayment of financial indebtedness as a result of the acquisition amounting to €49 million.

KONINKLIJKE VENDEX KBB N.V.

UNAUDITED INTERIM CONSOLIDATED CASHFLOW STATEMENT

for the half year February 1, to July 31

	31/07/04	31/07/03
	in millions of euro	
Operating result	26	53
Of which attributable to investing activities:		
Result on discontinued activities	—	—
Operating result on continued activities	26	53
Amortisation, depreciation and impairments	88	79
Movements in:		
Inventories	(21)	(37)
Debtors	(18)	23
Short-term liabilities*	38	(17)
Movements in operating provisions	(33)	(14)
Other operating activity movements		
Cash flow from operations (continued activities)	80	87
Financial income and expenses	(71)	(10)
Taxation	(3)	(6)
Cash flow from operating activities	6	71
Net investments in intangible and tangible fixed assets	(71)	(99)
Net investments in group companies	(1)	(82)
Net disposals of group companies	—	—
Cash flow from investing activities	(72)	(181)
Movements in long-term liabilities, including current component	120	52
Dividend paid	0	(29)
Repurchase of own shares	0	0
Cash flow from financing activities	120	23
Net cash flow	54	(87)
Net cash as at February 1	61	30
Net cash flow	54	(87)
Net cash as at July 31	115	(57)
Consisting of:		
Cash	115	35
Short-term loans from lending institutions**	0	(92)
Net cash as at July 31	115	(57)

* term loans from lending institutions

** excluding portion of long-term loans due within one year

KONINKLIJKE VENDEX KBB N.V.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the half year February 1, to July 31
(all amounts in millions of euro)

(1) Accounting principles

The accompanying unaudited condensed consolidated financial statements have been prepared by the company in accordance with Dutch Generally Accepted Accounting Principles. The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of such financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Although the company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited financial statements and the notes thereto for the year ended January 31, 2004, 2003 and 2002. Sales and operating results for the six months ended July 31, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year.

(2) Segmentation

UNAUDITED NET TURNOVER AND OPERATING RESULT ON RETAIL ACTIVITIES FROM CONTINUED OPERATIONS

	Net turnover		Operating result	
	2004/05	2003/04[1]	2004/05	2003/04
HEMA	430	426	7	8
V&D	330	382	(24)	(35)
Revitalization charge V&D			—	—
Bijenkorf	170	167	(13)	(8)
Do-It-Yourself	695	626	52	49
Fashion	232	240	16	30
Consumer electronics	288	279	3	1
Other activities/holding	24	17	(27)	(8)
Total	2,169	2,137	14	37
Internal rents			18	19
Result on disposal of property			1	3
Amortisation of goodwill			(7)	(6)
Operating result			26	53

(1) Classification regarding revenue recognition as of February 1, 2003 (RJ 270) adjusted for comparison purposes.

(all amounts in millions of euro)

(3) Long-term and short-term liabilities

	2004/05	2003/04
Mortgage loan	600	—
Syndicated loans	368	535
Subordinated loan	—	150
Short-term credit facilities	—	92
Gold and silver loans	—	2
Other loans	22	72
Lease commitments	33	23
Total	1,023	874
of which due in current period	16	572
Loans longer than 1 year	1,007	302

(4) Possible Sale of IMpact

In connection with the evaluation of the possible sale of all or part of our Consumer Electronics business unit, discussions have been progressing with a number of interested parties. Since July 31, 2004, the company commenced negotiations regarding the sale of its interest in IMpact. If a transaction is concluded at the price forming the basis of the current negotiations, management of the company expects that the disposal would result in a book loss of approximately €30 million, which management believes is tax deductible, resulting in an estimated book loss on disposal after tax of €20 million. If no transaction is concluded, management believes it has opportunities to improve the operating profitability of IMpact. The company did not include an impairment loss in its books in respect of IMpact in these interim consolidated financial statements for the half year February 1, to July 31. Had an impairment loss been recorded based on the price forming the basis of the current negotiations, the company would have recorded the following accounting entries on its books: (i) a reduction in operating result of approximately €30 million, (ii) a reduction in net result of approximately €20 million and (iii) a reduction in group equity of approximately €20 million. Pending the outcome of negotiations, including the preparation and negotiation of definitive documents, management of the company has not made any decision to sell IMpact at the price forming the basis of the current negotiations, and a transaction may or may not occur.

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VICTORIA ACQUISITION III B.V.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	August 1, 2004 (€ in millions)
Fixed Assets:		
Intangible assets	1	1,092
Tangible assets	2	1,444
Financial assets	3	51
		2,587
Current Assets:		
Inventories		646
Debtors and prepayments	4	333
Cash	5	212
		1,191
Current Liabilities:		
Short term liabilities	6	703
Short term loans	7	371
Current assets less current liabilities		117
Capital Employed		2,704
Financed by:		
Long Term Liabilities	8	1,185
Provisions	9	549
Group equity	11	970
		2,704

The notes on pages F-58 to F-67 form part of these accounts.

VICTORIA ACQUISITION III B.V.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

BASIS OF PREPARATION

General

The balance sheet has been prepared in accordance with applicable accounting standards in the Netherlands. All amounts are stated in millions of Euro unless indicated otherwise.

Victoria Acquisition III B.V. ("VA III") was incorporated on April 26, 2004.

VA III is a holding company whose wholly owned subsidiary, VDXK Acquisition B.V., acquired virtually the entire share capital of Koninklijke Vendex KBB N.V. ("Vendex KBB"), a Dutch listed company, between July 5 and July 26, 2004 ("the Acquisition"). After August 1, 2004 VA III initiated proceedings to purchase the remaining shares (less than 1 percent) and delist Vendex KBB's shares from Euronext Amsterdam.

Activities of VA III prior to the Acquisition of Vendex KBB were limited to the due diligence process and arranging of financing facilities.

Consolidation principles

The consolidated financial statements include the financial information of VA III and its group companies (collectively referred to as the "Group"), group companies are participating interests in which VA III directly or indirectly has a controlling interest, or participating interests for which VA III runs the majority of the economic risks or is entitled to the greater share of the economic gains. Vendex KBB holds, either directly or indirectly, a 100% interest in the following activities:

- **HEMA**
- **V&D**
- **Bijenkorf**
- **DIY**

  Praxis
  Brico
  Formido
  Keur-groep

- **Fashion**

  Claudia Sträter
  Hunkemöller
  M&S

- **Consumer Electronics**

  Dixons
  Dynabyte
  It's
  Modern Electronics
  Prijstopper

- **Other activities**

  Schaap & Citroen
  AudioSonic
  IT Services
  CFS (Cards & Financial Services)

A detailed list of the group companies of Vendex KBB can be found at the Chamber of Commerce.

At August 1, 2004 VA III (indirectly) owned 99.3% of the shares of Vendex KBB. As squeeze-out procedures have been initiated after August 1, 2004 the assets and liabilities of Vendex KBB and its subsidiaries have been consolidated for 100%, and the estimated amount involved in acquiring the remainder of the outstanding shares has been accrued.

The activities of VA III's 100% owned intermediate holding and other companies (VDXK Acquisition B.V. and Victoria Finance B.V.) are also consolidated.

The results on transactions between consolidated companies are eliminated.

The results of group companies acquired or sold are included in the consolidated profit and loss account to the extent that they are achieved in the period during which the companies concerned are group companies. This balance sheet includes the results of Vendex KBB from July 5 onwards.

PRINCIPLES FOR VALUATION AND DETERMINATION OF RESULTS

General

The principles for the valuation of assets and liabilities and for the determination of results are based on historical cost, unless stated otherwise. Unless otherwise indicated, assets and liabilities are stated at face value.

Use of estimates

In preparing the consolidated financial statements, estimates and assumptions are made by management which could affect the reported amounts as at balance sheet date and the income and expenses during the period. Actual results may differ from these estimates.

Foreign currencies

Assets and liabilities in foreign currencies are translated at the exchange rate as at the balance sheet date. The resulting exchange differences are taken to the profit and loss account, except for translation differences on net investments in participating interests abroad, which are presented in the shareholders' equity, net of any taxation. The results from the participating interests abroad are included at the average exchange rates. Exchange rate differences on securities listed on the stock exchange are treated in the same way as changes in the value of those securities. Exchange rate differences stemming from commodities transactions are presented as Cost of sales, and any remaining exchange rate differences are presented as financial income and expenses.

Intangible fixed assets

Any goodwill included in the acquisition of participating interests is carried at cost, and is amortized on a straight-line basis over the estimated economic life, up to a maximum of 20 years. Goodwill is calculated as the difference between costs incurred in and directly related to the acquisition, and the fair value of the net assets acquired. With respect to the Vendex KBB acquisition, these accounts reflect only a preliminary estimate of fair value adjustments, including an increase in tangible fixed assets based on valuation reports, a decrease in certain assets based on potential realizable value and the recognition of an employee benefit liability under new Dutch GAAP.

Capitalized lease rights are amortized over the term of the lease contracts or over the period of security of tenure as stipulated by the applicable legal system, also up to a maximum of 20 years. Software purchased and the related implementing costs and licences are classified as intangible fixed assets. Software and licences are amortized over three to five years, based on the estimated useful life.

Tangible fixed assets

Tangible fixed assets are carried at cost.

Assets brought into use are depreciated on a straight-line basis over the estimated economic life per category of fixed assets or parts thereof, as follows:

	Maximum estimated economic life
Buildings	30 years
Building foundations	100 years
Technical installations	10 years
Equipment and shop fittings	8 years
Computer hardware and cash register systems	5 years

Fixed assets with a temporary right of use are depreciated over the terms of those rights. Land is not depreciated. The lump-sum payments for land leases included in this item are depreciated on a linear basis over the period for which the land lease has been bought off.

The original acquisition price of fixed assets to which the group holds the beneficiary title pursuant to a financial lease agreement are taken as being the net present value of the lease installments over the entire lease period.

Costs of major repairs are charged directly against the result.

Financial fixed assets

The non-consolidated participating interests over whose commercial and financial policies VA III exercises significant control are valued at the proportional share in the net asset value, according to VA III's principles for valuation and determination of results.

Participating interests over whose commercial and financial policies no significant control is exercised and the other non-listed securities are carried at the lower of cost and the expected realisable value. A detailed list of Vendex KBB's non-consolidated participating interests can be found at the Chamber of Commerce.

Receivables from non-consolidated participating interests and other receivables are stated at nominal value less a provision for doubtful debts where appropriate.

Impairment of fixed assets

The book value of fixed assets is assessed for impairments whenever events or changes in circumstances give cause to do so. For the purposes of such assessments, the assets are divided into groups based on separately identifiable and largely independent cash flows. The assessments are made at store level. In the event of impairment, the book value of the assets is written down to their realisable value.

Inventories

Inventories are included at average purchase price, minus a provision for obsolescence, deterioration and other risks of holding inventories.

Debtors

Debtors are shown at nominal value minus a provision for doubtful debts where appropriate.

Provisions

In accounting for employee benefits, VA III applies Guideline for Annual Reporting Standards in The Netherlands 271 (2003). This implies that for defined benefit post-employment benefit plans, the cost of providing benefits is determined using the Projected Unit Credit method. The post-employment benefit obligation in the balance sheet represents the present value of the defined benefit obligation as adjusted for the fair value of scheme assets.

The provision for deferred taxation represents future net tax liabilities due to temporary differences between the book value of assets and liabilities for reporting purposes and for tax purposes, calculated at the standard rate.

Provisions for redundancy schemes and staff who have taken early retirement are valued at the nominal amounts. Provisions for disability benefits for employees are based on the nominal value of the expected payment commitments in connection with the actual disability of the present and former employees.

Long-term liabilities

Liabilities are carried at the nominal value. The net present value of future lease instalments in connection with loans and financial lease agreements is also included. Repayment commitments on long-term liabilities that are payable within one year are included under short-term loans.

Costs related to debt issuance are capitalized and amortized as financial expense over the period of the debt instrument involved or, if applicable, over the combined period of directly related debt instruments.

Profit and loss account

Net turnover comprises the sales value of the sold goods and services at the moment of delivery, net of VAT and sales discounts. For VA III's own stores, this figure is based on the delivery to consumers, for franchisees on the delivery of goods to franchisees on the account and risk of the group, as well as the franchise fees. For concession holders the figure is the concessionary fee.

The cost of sales comprises that part of the value of the goods sold that is absorbed by costs, including the costs attributed to the purchasing organisation and the transport and warehousing activity. Cost of sales is recognized in the period in which the turnover is recognized.

Other revenues and expenses are recognized in the period to which they relate.

The calculation of the taxation takes into account permanent differences between the result for reporting purposes and the result for tax purposes. Claims for tax relief are taken into account insofar as it is reasonable to assume that recovery or realisation will be possible. VA III, its Dutch subsidiaries and its direct parent company comprise a fiscal unity for corporate income tax purposes.

NOTES TO CONDENSED CONSOLIDATED BALANCE SHEET

1. Intangible fixed assets

Intangible fixed assets include €1,037 million related to goodwill. Goodwill includes estimated costs directly related to the acquisition of Vendex KBB (including costs related to redemption of existing debt at the date of acquisition). The estimated amount involved in acquiring the remainder of the outstanding Vendex KBB shares in connection with the squeeze-out procedures initiated after August 1, 2004 has been accrued.

2. Tangible fixed assets

The composition of tangible fixed assets is as follows:

	August 1, 2004
	(€ in millions)
Land and buildings	938
Other fixed assets	419
In progress and prepayments	87
Book value as of August 1, 2004	1,444

3. Financial fixed assets

Financial fixed assets includes participating interests (€10 million) in Alant Medical and Vision Clinics. Securities amount to €15 million. The other amounts receivable include a long-term loan to Retail Network Company of €11 million, as well as the remaining receivable of €15 million in connection with the settlement of the interests in Brazilian shopping centers.

4. Debtors and prepayments

The composition is as follows:

	August 1, 2004
	(€ in millions)
Trade debtors	96
Corporation tax	94
Other receivables and prepayments	143
	333

Included in other receivables and prepayments is an amount of €49 million in capitalized financing costs to be amortized over the duration of the related debt instruments.

5. Cash

At August 1, 2004 virtually all cash balances are at the free disposal of VA III.

6. Short-term liabilities

Short-term liabilities can be specified as follows:

	August 1, 2004
	(€ in millions)
Trade creditors	348
Other taxes and social security contributions	59
Other liabilities	68
Accruals and deferred income	228
	703

Short-term liabilities include payables to participants amounting to €10.

7. Short-term loans

Short-term loans include €350 million under a Subordinated Facility Agreement (Bridge Facility) which will be redeemed within one year through a refinancing, €8 million related to the short-term portion of the Senior Credit Facilities mentioned below, and €13 million related to the short-term portion of other liabilities.

The bridge facility is subordinated to the below mortgage and senior credit facility and carries interest of EURIBOR plus 7%.

8. Long-term liabilities

	Total	Term > 5 years	Average effective interest
	(€ in millions)		
Mortgage loan	600	537	5.1
Senior Credit Facility	543	373	5.4
Other liabilities	42	13	9.5
	1,185	923	

Loans which are repayable within 12 months of the end of the financial year are not included in the foregoing statement, but under current liabilities.

Mortgage Loan

The mortgage loan of €600 million is secured by first-ranking pledge on property and on shares in certain group companies that own the property. The loan has been provided for a period of 10 years; quarterly redemptions commence in October 2005.

The mortgage loan bears interest at rates per annum equal to EURIBOR plus 1.75% margin. VA III is required by the terms of the senior property facility to hedge the interest rate risk exposure under the floating interest rates for at least 75% of the facility for a period of at least 5 years from July 2, 2004. VA III entered in August 2004 into an interest swap on 75% of its debt for an average of

3.6% over a period of 5 years; the remaining interest exposure was hedged through other instruments at that time.

Senior Credit Facilities

The senior credit facilities are provided for facilities of up to €850 million through a mixture of three Term Loans of €550 million and one Revolving Credit Facility of €300 million. As at August 1, 2004, no amounts have been drawn under the Revolving Credit Facility. The facilities have been provided for a period from 7 to 9 years with semi-annual repayment commencing at July 2, 2005.

The senior credit facilities bear interest at rates per annum of EURIBOR plus 2.25% to 3.25% margin (margins may change downward on leverage ratios).

The facilities are secured by guarantees, certain assets of and shares in certain subsidiaries of VA III.

The Senior Credit Facilities are governed by negative and positive covenants, including the requirement to maintain certain financial ratios.

VA III is required by the terms of the Senior Credit Facilities to hedge the interest rate risk exposure under the floating interest rates of the Term Loans for at least 50% of the Term Loans for a period of at least three years from July 2, 2004. VA III has entered into interest swaps on 50% of its debt for an average of 3.5% over a period of 3 years.

9. Provisions

Provisions at August 1, 2004 (the majority of which are of a long-term nature) can be specified as follows:

	Total (€ in millions)
Post-employment benefits—main pension scheme	50
Other post-employment benefits	114
Other employee benefits	53
Deferred taxes, net	178
Severance and restructuring	57
Other provisions	97
	549

Vendex KBB operates defined benefit plans for qualifying employees in primarily The Netherlands. Under the plans, the employees are entitled to post-employment benefits for approximately 70% of final salary or average salary on attainment of a retirement age of (generally) 63.

A preliminary and overall actuarial valuation of the plan assets and the present value of the defined benefit obligation was made in the first half of 2004 by independent actuaries.

The present value of the defined benefit obligation under the main pension plan was measured using the projected unit credit method. The key assumptions used in that valuation were:

—Discount rate	5.2%
—Expected return on scheme assets	6.1%
—Expected rate of salary increases	2.0%
—Future pension increases	2.0%

The amount included in the balance sheet arising from the Group's obligations in respect of its main pension scheme is as follows (in millions):

Present value of defined benefit obligation	1,404
–/– Fair value of scheme assets	1,354
= Liability recognized in balance sheet	50

The provision for other post-employment benefits includes other pension plans in existence, pre-pension and similar arrangements including transitionary plans and benefits such as post-retirement medical insurance contributions.

Other employee benefits include provisions for disability and sick pay and anniversaries.

The provision for deferred taxation mostly concerns differences between the valuations of tangible fixed assets for commercial purposes and for tax purposes, particularly with regard to property. Upon acquisition of Vendex KBB the deferred tax liability was increased by €119 million in connection with a fair value adjustment to its property, and decreased by €62 million in connection with fair value adjustments to employee benefits and certain assets.

The other provisions include amongst others commitments under loyalty programmes, commitments stemming from extended guarantee insurance, and provisions for non-market rents.

10. Financial instruments

VA III and its group companies use financial instruments as part of the ordinary course of business, which are presented as assets and liabilities in the balance sheet, as well as financial derivatives.

The financial instruments included in the balance sheet consist almost entirely of financial fixed assets, trade debtors, other receivables, cash, long-term liabilities and current liabilities. The estimated market value of these financial instruments is approximately the same as their book value, and is based on net present value.

In order to limit the impact on results of fluctuations in interest rates and exchange rates, the company uses interest rate swaps. These financial derivatives are used to fix the interest rate on underlying loans. The market value of these financial derivatives represents a liability of approximately €18 million. These financial derivatives are not included in the balance sheet. No hedging instruments are used for securities or other receivables.

Financial derivatives for hedging interest rate risks and exchange rate risks on current purchasing orders are not included in the balance sheet, but at the same time recorded with the hedged transactions. Cash flows from financial derivatives are recognised as financial income and expenses in the period up to the maturity of the instruments concerned.

In the case of early repayment of loans, the market value of any redundant hedge is ascertained and the gains and losses represented by that position are recognised in the profit and loss account for the year.

The credit risk consists of the loss that would arise if any of the parties to the contract were to be in default on their contractual obligations. VA III and its group companies are generally not exposed to any significant credit risk with regard to its individual customers or counterparties. There is also a credit risk is case a counterparty to a contract involving financial derivatives defaults on its obligations. This is, however, unlikely given the creditworthiness of the counterparties with which financial derivatives are contracted.

11. Group equity

The composition of shareholders' equity is as follows:

	August 1, 2004
	(€ in millions)
Issued and paid-in capital	0
Paid-in surplus	23
Other shareholder funding	947
Other reserves	0
Balance as of August 1, 2004	970

Issued and paid-in capital and paid-in surplus

The shares are owned by Victoria Acquisition II B.V. The ultimate parent company is Victoria Holding Sarl, a company incorporated in Luxemburg.

The issued share capital of VA III amounts to 18,001 ordinary shares with a nominal value of one Euro each. A contribution in kind against issuance of 1 share generated paid-in surplus to the amount of €23 million.

Other shareholder funding

In July 2004 VA III's ultimate shareholders contributed in proportion to their shareholding, through VA III's direct parent company (Victoria Acquisition II B.V.), funds to VA III amounting to €947 million. While the underlying agreement does provide for settlement in the distant future and there are provisions for a yield/return, it is at VA III's discretion whether to pay for these in cash or in shares, and to determine the yield/return to its parent if any. In addition, there is no intention to have these funds settled with the parent company unless, for example, the ultimate shareholders sell (part of) (their interests in) Vendex KBB or unless other funding arrangements would come into place with which these funds could be settled. For that reason, these funds are considered an equity instrument.

Other reserves

The result of VA III since incorporation (including its operating subsidiaries since acquisition) is approximately zero.

Management Participation Plan

In connection with the acquisition of Vendex KBB, VA III has recently implemented an equity plan (the "Management Participation Plan" or "MPP") under which approximately 50 top managers of the Group, including the Board of Management of Vendex KBB, may acquire, through an investment in non-voting depositary receipts in a special purpose entity, an amount, specified individually based upon the participant's role within the management team, of equity and loan interests in a parent of VA III (the "Plan Issuer") in a mix that includes proportionally more equity and less loan interests than the investment mix of the current indirect shareholders. In addition, MPP participants have been given the opportunity to invest amounts in addition to the amount specified above in the same equity/loan interest mix as the current indirect shareholders.

The interests held pursuant to the Management Participation Plan are subject to transfer restrictions and to certain call and put options. In particular, the current indirect shareholders may invoke call option rights on a participant's interests to the extent that certain time- and performance-based criteria are not met or in the event that the participant ceases to be employed by VA III or one of its subsidiaries. The performance-based criteria relate to the achievement of certain EBITDA, operating cash flow and net sales targets and are specified for each participating manager. To the extent that the time and performance criteria are met and a liquidity event takes place through a sale of shares of VA III or any direct or indirect holding company thereof or any subsidiary thereof, or the business unit in which the participant is employed is sold, the participant would have the right to sell, or become obligated to sell, as the case may be, a pro rata portion of its retained interests under the Management Participation Plan.

12. Contingent assets and liabilities

The Group has commitments under repurchase statements and guarantees, totalling €39 million, which are not included in the balance sheet. These pertain mainly to franchisees and affiliated companies. In addition, Vendex KBB has issued guarantees in the sum of €41 million for subsidiaries.

The Group has entered into long-term rental and lease contracts for business premises and other fixed assets. As at August 1, 2004, the net present value of the future commitments, based on 5% standard rate of interest, was €1,417 million. Of this amount, €251 million is payable within 1 year, €709 million between 1 and 5 years and €457 million after 5 years.

A lawsuit is pending relating to the merger between Vendex N.V. and N.V. Royal Bijenkorf Beheer KBB which was formalized on July 16, 1999. The suit claims annulment of the merger or alternatively a judgement awarding damages. In an interim judgment, the court ruled that expert advice be sought. Vendex KBB has instituted appeal proceedings against this judgement. Vendex KBB does not consider it necessary to form a provision in respect of this lawsuit.

At August 1, 2004 Vendex KBB had issued statements of joint and several liability under Article 403 Book 2 of the Dutch Civil Code towards almost all of its Dutch consolidated participating interests except for the group companies that own the property.

Since VA III is part of a fiscal unity, it is jointly and severally liable for corporate income tax liabilities of the fiscal unity.

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